App. F. IX-4

Previous References

1939.
(9)
Legis

File No. 53-39
Serial Nos. 1

Later References.
Legis 4-40 (1)
C.S.F. 148.40(1-3)
C.S. 214-44-1

(121)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. Nil

A
Part ~~B~~ for March 1940

SUBJECT.

Bill to levy an excise duty on gold produced in the State.

WD 0573—GPB—22.500—12-9-39

B.B. Shamrao
5.11.40

1217-17.01

DUTY ON GOLD.

Serial No.	No. and date of letter with contents.	Reference.	Page in "A" Proceedings.
1.	D.O.letter No.1103/Encl.1. dated 14th December 1939, from the Chief Inspector of Mines to the Financial Secretary to Government, Bangalore.		
2.	D.O.letter dated 15.2.40 from the Chief Inspector of Mines to the Financial Secretary to Government.		
3.	D.O.letter dated 22nd Febry.1940, from Mr.Kenneth Taylor, Marikuppam, to the Dewan of Mysore.		
4.	D.O letter No.C.H.692 dated 24th February 1940 from the Dewan of Mysore to Mr.Kenneth Taylor, Marikuppam.		
5.	Letter dated 27th February 1940, from Mr. Kenneth B.Taylor of John Taylor & Sons., Marikuppam, to Sri Mirza Ismail, Dewan of Mysore.		
6.	D.O.letter dated 1st March 1940 from the Accountant General, Madras, to the Financial Secretary to Government, Bangalore.		
7.	D.O.letter No.C.1143 dated 2nd March 1940 from the Private Secretary to His Highness the Maharaja to the Second Member of Council.		
8.	D.O.letter dated 2nd March 1940 from the Secretary, Messrs.John Taylor & Sons' Committee, Oorgaum, to the First Member of Council.		
9.	Letter No.Fl.5805/Encls.2 dated 16th March 1940, from the Secretary to Government, Financial Department to the Secretary, Messrs.John Taylor & Sons' Committee Oorgaum.		

Lapse 11/2/40

Serial No.	No. and date of letter with contents.	Reference.	Page in "A" Proceedings.
10.	D.O.letter No.Fl.5892 dated 18th March 1940 from the Financial Secretary to the Private Secretary to His Highness the Maharaja of Mysore.		
11.	Letter dated 15th March 1940 from Messrs. John Taylor & Sons, to the Dewan of Mysore.		
12.	Order No.P.6267-Legis.53-39-1, dated, Bangalore, the 16th March 1940, levying imposition of Duty on Gold.		
13.	Letter No.6104/G.F.128-39 dated 1st April 1940 from the Financial Secretary to Government to Messrs. John Taylor & Sons., London.		

12

(G.F. 128-39-1) (G.F. 128-39-1)

Confidential G.2128-39-1

General and Revenue Secretariat | File No. | of 193 | [App. F. III—2

Serial No.

I heard on the radio yesterday night that the South African Govt. had decreed in the case of South African Gold Mines that any price realized by the Gold Mining companies there in excess of 150 Sh per oz should be surrendered to Govt as revenue and that this had retrospective effect.

Our Govt is also a disappearing asset, and in view of the rising price, it might be considered whether our Govt would not be justified in asking for a surrender of the price in excess of the basic maximum obtaining before the recent rise as the result of the depreciation of Sterling against dollar and other monetary factors.

If necessary, information has to be obtained by cable from England in regard to the details connected therewith. The Gold mining companies are making adequate dividends and I do not see why they should not give up their profits in excess of that which they ought to realize by working a mineral which will pass out our control once for all, having been taken over

A.N. Radhakrishna
1.9.39

1st Addl. Revenue Member
Dewan)

14

SEP 1 1939

Note—Contn. Sheet.

WD 0544—GPB—30,000—2-9-83

3 The price of gold during the past two or three years may be noted

4 As to the system of taxing gold and gold profits in S. Africa, Mr K. Duraiswamy Iyer may be asked to tell us any likelihood that he might have heard when he was deputed there

MM (M. Matthai) Esq
9/9/39

5 I believe in 1931 also, the S. African Govt imposed a special tax on gold. The financial journals of that period might give us some information on the subject

MM
(Member)

6 Action will be taken as per 1st Min number after perusal
Dewan

A.N. Raghavachari
1.9.39

7 Mr. Hussain Ismail
1-9-39

Ref. Para 3 — Kindly see 5th subject

Draft submitted
A.D.
2/4/88

M.S.K.

8 Mean re Times of India dated 18.8.39 for a Comparative prices of Gold: - Reproduced.

B.

	16.8.38	16.2.39	16.7.39	16.8.39	23.8.39	26th	28th	
Lo.	36-1-6	37-0-3	37-1-9	37-1-3	37-2-3	38-2-0	38-4-0	38-

(Nam -nal

9 Para 4 & 5 Draft sent on the latter part of the Members memorandum

9)

Serial No.

OFFICE OF THE FIRST MEMBER OF COUNCIL
SEP 2 1939
No. 2138

Information could be gathered here also.

2/9

Took instructions from the First Member. Necessary information of all that is available has been called for from the Chief Inspector of Mines by telephone. As discussed with the Member, it may be of advantage to draft an Ordinance and get His Highness' approval for treating this levy as an Excise Duty on Gold. The Law Secretary has noted the details and is preparing the Ordinance. I am searching also for the available literature and as soon as I get it, a further note will be put up for consideration.

I have suggested to the Law Secretary that the calculation may be made at the rate of £ 7-10-0 per fine Oz. of Gold converted into Rupee equivalent at 1 Sh. 6d. for fixing the basic level above which the difference in price should be recovered as Excis Duty by Government.

2.9.39 (A N. Bagchee

First Member,
DEWAN.

2/9/39 (C N Madhava Rao

2-9-39 (Mirza Ismail)

4.9.39

NOTE.--Contn. Sheet

Serial No.

Since my note was written, the papers were further gone into in consultation with the Member. I notice that in the Deed of Variation, clause 3 runs as follows:-

H A

" The Lessors hereby covenant with the Lessees that during the residue of the term granted by the existing Lease the Lessors shall not in exercise of their Governmental or other powers levy or impose any special taxation on Kolar Gold."

The original Deed of Lease (of 1910) does not contain any prohibition against levy of taxation but it contains a clause (no 6) indicating what taxes shall be levied on the land and the buildings etc. In fact, if no tax was leviable at all on production under the old lease, the Company would not have paid income-tax: The net result of both the points is that till 22-3-1940, we are precluded from levying any special tax on gold, when alone the question of levying Excise Duty has to be considered. Clause 3 of the Deed of Variation clearly goes to show that we do possess inherent powers of levying such duty and could have done so but for the existence of that clause. If the present condition of the high price of Gold should continue -- and I do not see how it will cease to do so when the British Empire itself is grappling the new situation and the dollar also is appreciating to positions which we would never have thought possible,-- our loss would be confined

H B

Serial No.

1818

(Issued file)

only to a period of 7 months more.

The draft Ordinance which is put up herewith will have to be considered somewhere about December 1939. In the meantime, I beg to suggest for consideration the desirability of obtaining immediately His Highness' orders to give effect to the Amendment of Income-tax Act from 1st July 1939 @ pending its being passed by the two Houses. This would increase our receipts under Income-tax to some appreciable extent.

@ Giving retrospective effect by supplemental assessment

First Member,
DEWAN
thro'
Law Secretary

A.S. C.A.N Registrar 4.9.39

17 C.C. Subadar 4/9/39

A.S. 5.9.39

The matter may be considered at the next meeting of the council

C.N. 5/9/39

5-9-37

A.S. 6.9.39

Chief Secretary 7. SEP. 1939 Govt of Mysore

(Chief Secretary) with the draft

Signed 7/9

Note-Contn. Sheet.

page 6

For Disposal at a meeting. No. C. 97

1939-40.

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

Subject

(clause_____of the schedule)

(1) Question of giving effect to the proposal (already approved) to raise the rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs.75,000/- and above from 18 pies to 24 pies in the rupee retrospectively from 1st July 1939, pending the bill being passed by the Representative Assembly & Legislative Council.

(2) Proposal to levy an Excise Duty on gold produced in the State.

Circulated to the Members of Council.

By Order,

(B. T. Kesava Iyengar)

7th September 1938. *Chief Secretary to Government.*

2362 8.9.39 **First Member of Council.** (N Madhavarao) 8/9/39.

2012 8.9.39 **Second Member of Council.** (K.V. Arunachalam) 8.9.39.

page 7

C.97.

Extract from the Proceedings of the 979th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 14th September 1939. *19*

11. Subject. -

(i) Question of giving effect to the proposal (already approved) to raise the rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs.75,000/- and above from 18 pies to 24 pies in the rupee, respectively, from 1st July 1939, pending the bill being passed by the Representative Assembly and Legislative Council.

(ii) Proposal to levy an Excise Duty on gold produced in the State.

OPINION OF THE COUNCIL.

(i) The rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs.75,000/- and above may be raised from 18 pies to 24 pies from 1st July 1940. Necessary legislative action may be taken.

(ii) The question of an Excise Duty may be considered in December 1939.

(Signed) MIRZA M. ISMAIL,

Dewan of Mysore.

B T. Krishnaiyer
15.9.39

Financial Secretary.
with compliments.

AD (A.N. Raghavachar)
15.9.39

"EXTRACT"

Chief Secretary to Government.

WD 1471—GPB—2,000—1-3-21

853/P

General and Revenue Secretariat. File No. of 19

REV. SECRETARIAT 18 SEP. 1939 [App. F. III-2 PROTECTION BRANCH

Serial No.

Re: ~~Ex Excise~~ -

Council Resolu. d. 14.9.39

Regarding

1. Re: para (1), the proposal has already been approved by H.H. in the linked file, & a draft Statement of General principles of the Bill is also prepared.

2. The question was put up to Council for consideration of the proposal to give effect to the enhanced rates of Income-tax retrospectively from 1.7 Now that it is decided not to press for retrospective effect, but to bring it into force from 1.7.40 the case seems to be ready for further action in the ~~Law Dept~~ Legislative Dept. to place it before the R. A & L.C. The linked file may be passed on to Mr Lawley

Yes. 15/9/39

3. Re: para (2), the matter will be put up for orders in Dec. 39 as ordered.

15/9

Yes

15/9

To The linked file will be sent to Prom-Br for further act

15/9

15/9

SECY. LAW DEPT. 15 SEP. 1939 GOVT OF MYSORE

15/9/39

File No. Levy of export duty on gold 1853/7 of 1939

General and Revenue Secretariat.

Secret No.

The linked file relating to the Bill to amend the Nyasaland Income Tax Act is being transferred up.

1) As no action is called for in connection with this file at present in the Legislature, this file will be kept pending the final fate of aforesaid Bill.

Sgd. 31/10/39

Sgd. 31/10

subject to permal. The file will remain in Govt till the end of Nov-1939

Sgd. 4/11

Sgd. 4/11

2) Subject with ref to para 2

Sgd. 15/11/39

Sgd. 5.12.39

GEN. & REV. SECRETARIAT 1283 4 OCT. 1939 FINANCIAL BRANCH

4.12

3) The price of gold which continues to be £6-8 per fine ounce - it is for consideration whether the proposal may be taken for active initiation now. Our gold as a material asset is a vanishing one with the working out of the ore deposits in territory and when the mining Co is making a profit in the relatively depreciated currency under general world conditions, I think we are entitled to get our share under the suggestion already made. The date of expiry of the contract is 22.3.40. Whether an ordinance should be prepared for the current year and subsequently final legislation placed on record later in June Session is also for consideration.

1st March

Dewan

For orders

Sgd. 6.12.39

Serial No.

DEC 8 1939
5469

35) Seeing that the Mysore Companies sell their gold in Bombay, would it not be better to fix the rate of duty with reference to rupee prices also? I shall be glad if the Finance will examine & let me know if the present rupee prices correspond exactly to the sterling price (which has been stationary for some time past) in the London market

Sd/- (N. Madhava Rau)
7/12/39

36) The accompanying statement shows (1) the value realised (in rupees) by the Mining Companies by the sale of Gold in India, (2) T.T. rates on the dates of realisation (3) the rate per ounce in sterling, according to the T.T. rates and (4) the actual rate in London as per newspapers. It will be seen from this statement that while the price of Gold in London has been stationary (£ 8-8-0) since September 1939, the price in India has slightly increased (from Rs. 107 during September 1939 to about Rs. 112 at present).

37) In my note dated 2nd September 1939, I had suggested that the basic rate of Gold might be taken at £ 7-10-0 per fine ounce of gold. The rupee equivalent of it at 1s. 6d. per rupee will be

NOTE-Contn. Sheet.

P.T.C.

1285

File No. of 19 General and Revenue Secretariat.

Serial No.

DEC 29 [illegible]
6093

4627 G
47/48

Rs. 100 per ounce of file gold. The basic rate may be fixed at Rs. 100 per ounce of gold, and excise duty may be levied on the value realised in excess of the above basic rate. From the enclosed letter received by me from the Chief Inspector of Mines, it will be seen that the Australian Commonwealth Government have levied from 15th September 1939 an Excise Duty on Gold, the duty being fixed at <u>one half of the amount</u> by which the amount payable by the bank in respect of the gold produced and delivered exceeds an amount calculated at the rate of £ 9 for each ounce of fine gold contained in the gold so produced (£ 1 sterling - British Currency - is equal to 1.25 pounds Australian). Whether we may not also limit the Excise Duty to only <u>half the amount in excess of the basic rate</u> of Rs. 100 per ounce of fine gold is for consideration. Even at this rate, we may realise a revenue of about Rs. 18 lakhs per annum counting upon a production of about three lakhs ounces per annum (taking the selling price at Rs. 112 per ounce) and Rs. 15 lakhs (taking at Rs. 110 per ounce).

[illegible] 18/12 Mr [illegible]

A Raghavachar 21.12.39

[illegible] 38) [illegible] (N. Raghavachar)
23/12/39

[illegible]

A Raghavachar 23/12/39

[illegible]

[illegible]

Serial No.

to Sir M. N. Krishna Rao to obtain his opinion on the proposal.
No question was discussed about Council matters after my return from tour.

Mirza Ismail.
27-12-39

41) As minuted by the Dewan, I have shown these papers to Sir M.N. Krishna Rao and discussed the matter with him. He first began by asking whether even under the contract providing for no taxation being levied up to a certain date, we could not give retrospective effect to the levy. I mentioned that this was a matter of legal interpretation and had to be settled in consultation with the Law Department. He, however, opined that even if we want to give some consideration during the period covered by the existing lease (till 22nd March 1940), it should take the form of a reduced rate of the duty in the profit, rather than our foregoing the entire profit.

42) As regards the conditions obtaining in Australia and elsewhere in the world, he mentioned that the property in the mines in those countries was more or less private, whereas in Mysore, though the mine is worked by the Company, the property belongs to Government and if there was any justification at all, it

NOTE Contn. Sheet

P.T.O.

Serial No.

it was ~~only~~ for allowing the company only a small share of such extraordinary wind-falls which are in no way connected with their normal operations but which are obtained due to extraordinary factors for which the Companies were in no way responsible. Further the share holders of our Mining Companies, who receive dividends, are mostly resident outside Mysore and the moneys drawn will be a permanent withdrawal of assets from the country, and our Government is certainly entitled to a higher share than half. He said that the share to the share-holders should be limited only to what is not likely to give more than 10 or 12 per cent in the shape of an extra dividend. It may be equally argued, that in view of the dividends being participated with Government, Government benefits from such dividends, but it has to be stated that the ~~rate of~~ 7£ 10s. or Rs. 100 ~~rate~~, upon which the excess profit is based per ounce is itself high and the value of the high price of gold is fixed in terms of the currency, which has been depreciated under conditions over which we have no control. There is therefore the greatest justification for insisting upon the major part of the excess profit being surrendered to Government ~~as~~ qua-Government. Sir M.N. Krishna Rao therefore feels that the demand for half the profits in the shape of Excise Duty is erring too much on the side of a generous

P.T.O.

Serial No.

gesture to the Company. ~~Sir M.N. Krishna Rao~~ Rao also mentioned that we should not be bound by what other countries do or have done in this matter.

~~43~~) Whether the amount of duty should be fixed at the whole or only half of the rate in excess of the basic rate of 1/- 10s. or Rs. 100 is for consideration. There is also the question of the rate for electrical power and our idea is to get a larger amount from this source. Whether the legislation to be enacted may not be for a temporary period, say for the next two or three years, in order that we may review the position and alter the rates, is also for consideration.

(Sd/- [illegible]
4.1.40

(Sd/- [illegible]
1st Member
Defence)

~~44~~) I agree in the view expressed by Sir M. N. Krishna Rao that the rate of duty should be the entire excess over the basic price. The draft ordinance ~~which~~ provides for this

"Clause 3 of the Agreement and Deed and Variation ~~clearly~~ lays down that "during the residue of the term granted by the existing Lease the Lessors shall not in exercise of their governmental or other powers levy or impose any special taxation on "[illegible] gold."

NOTE Contn. Sheet

Levy of Excise Duty on Gold.

File No. of 19 Secretariat.

Serial No.

5748

In the face of this very clear contract of the lease it ~~appears to~~ does not seem possible to levy the tax with retrospective effect, ie from a date earlier than 22nd March 1940. It may, however, be explicit if provided in the draft that the duty is leviable on all gold ~~which is sold~~ covered sale ~~on behalf of the mining companies on or~~ on ~~after~~ that date as well as gold issued thereafter for sale

Fin Secy
Law Secy } to speak

Dlle
12/1/40.

~~1st~~) The draft has been revised so as to provide to levy a duty on all gold ~~issued~~ levy duty raised prior to 22nd March 1940 but sold thereafter

Fin Secy
1st Member
2nd Member
Dewan

(C. Subrahmanya Iyer)
11/2/40

~~2nd~~) Dlle (N Madhava Rao)
7.2.40

~~3rd~~) P A 9/2/40
9.2.40
(K V Ananthakrishnan)

~~4th~~) Submitted with a D. S. N. (Draft Notification) for

Dewan

(C. Subrahmanya Iyer)
9/2/40

Submitted to His Highness.

51) These papers relate to a proposal to levy an excise duty on gold produced in the State.

Since September last, the price of gold has been rising. It is considered that Government would be justified in claiming from gold producers an amount of the price realised in excess of the basic minimum obtaining before the recent rise, as a result of depreciation of sterling against dollar and other monetary factors.

52) To secure this it is proposed to levy an excise duty on all gold produced in the State at the rate of the excess nett amount realised by the sale of every ounce of gold after deducting the prescribed charges, over Rs. 100/- for each ounce. Such a duty on gold has been imposed by the South African and Australian Governments.

53) In the agreement executed with the Mining Companies on the 25th March 1935, there is a covenant that during the residue of the term granted by the existing lease which expires on the 22nd March 1940, the Lessors shall not, in exercise of their Governmental and other powers, levy or impose any special taxation on Kolar Gold. Consequently it is proposed to impose this excise duty on the date of expiry of the term of the existing lease, i.e., the 22nd March 1940.

54) A draft Bill of the legislative measure that will be required to enable Government to impose this excise duty has been framed and it is proposed to issue this as an Emergent Act under section 12 of the Legislative Council Act. Gracious permission of His Highness may be granted to the proposal and to the legislative measure.

Mirza M. Ismail

DEWAN.

Bangalore,

9th February 1940.

page 17.

17

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

55) Bill to levy an excise duty on gold produced in the State.

Chief Secy
No
15-2-40

No. 548

Order.

~~KRW~~
12/2/40

24

15.2.40

page 18

18

N.S.258.

General and Revenue
Secretariat.

SUBJECT:—

Bill to levy an Excise duty on gold produced in the State

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at Headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to Members of Council for perusal of His Highness' orders before/~~after~~ issue of orders. (*Vide* *Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

B.T. Kesava Iyengar
Chief Secretary to Government.

Through the Secretary to Government,

Financial Department.

A.N. Raghavan
15.2.40

7875/15.2.40 56)

FIRST MEMBER OF COUNCIL.

Some misprints have been since suggested
There may be mistakes in the bill
Sir N. Madhava Rao

6803/16.2.40

SECOND MEMBER OF COUNCIL.

A.G.V. Ananthanarayana
16.2

Fin. Secy. With compliments.

B.T. Kesava Iyengar
16.2.40

NOTE.—Contn. sheet

VD 04642—GPB—500—23-10-39

Serial No.

Lr. dy 11/2/40 of H.E.H. Pol. Let.

EXCISE DUTY ON GOLD.)

57) This letter was given to me by the Dewan.

58) Mr. Kenneth Taylor met the Dewan at 6 P.M. on 12th February 1940 (when the First Member and myself were present) and represented that the proposed levy of Excise duty on Gold was not desirable on the following grounds:-

(1) It involves a discriminative taxation against Gold only;

(2) though such a discrimination was necessary in South Africa and Australia, there seems to be no necessity for such a taxation in Mysore;

(3) the proposed taxation would not leave adequate financial margin in the hands of the Companies to meet the possible increase in working expenses, and development expenditure, and may also affect the dividend payable to the share-holders resulting in the fall in the price of shares;

(4) the financial position of the Ooregum Mine is particularly bad and the proposed Excise duty will affect its working to a considerable extent.

59) With regard to (1) and (2), it is to be stated that Gold is not a mere commodity but is interlinked with the ultimate basis of world currency and relative values of such currencies

WD 2087—GPS—500—25-5-31

Serial No.

-2-

currencies as are convertible to each other and taxation of Gold only is justifiable in all countries under present managed-money conditions. It cannot be stated that Mysore State is not in any way affected by the European War. We have also to meet heavy extra expenditure on account of increase in the prices of materials (both for Capital and revenue purposes), contribution to the War Relief Fund, etc., and we have also to meet heavy expenditure for the improvement and restoration of tanks to protect the State against famine.

(b) According to the note submitted to His Highness, the rate of Excise duty will be the entire excess revenue over the basic price of 150 sh. per ounce. In the light of the representation of Mr. Kenneth Taylor, the Dewan was pleased to mention that the rate may be only seventy-five percent of the excess (and not the whole of the excess price). Even if Excise duty had not been levied by us, the extra income on account of the increase in the price of Gold would have been subjected to Mysore Government Income-tax (3/16th of the income) and if this is taken into account, the actual extra amount payable to the Mysore Government will be only sixty per cent (Vide statement A).

Statement II

(c) The Government of Mysore agreed to the non-levy of a special tax on Gold up to 22nd March 1940, in view of the additional supplementary royalty on Gold paid by the Mining Companies even

WD 2087—GPS—500—25-5-31

P.T.O.

Serial No.

-3-

even for the period covered by the original lease (the total amount of which will be about Rs. 50 lakhs for the entire period 1934 to 1939). The Companies cannot reasonably expect Government to continue the concession for the period of the new lease.

(2) Though the period of the new lease extends up to 1970, it is very doubtful whether the present production can be expected to continue for all the thirty years from now and whether the present abnormal price of Gold will continue during this period. It is therefore very necessary and desirable for us to get as much revenue as possible in the shape of taxation and other ways, at a time when the Companies are making larger profits on account of mere increase in the price of Gold, which is but an accident and for which they are in no way-either directly or indirectly-responsible, and due to War and currency conditions, both of which are temporary expedients. The basic rate has been fixed at the sufficiently high figure of 150 shillings, and it is proposed to take only three-fourths (or rather really only 60%) of the excess.

Statement II

(3) I submit herewith a statement showing the increased revenue which the Mines will realise on account of the increase in the price of Gold, over the level of the year 1938, even after meeting the proposed excise duty on gold and possible increase in the power charges and extra amount of supplementary royalty payable for the

OFFICE OF THE
FIRST MEMBER OF COUNCIL
FEB 20 1940
No. 7942

Serial No.

period of the new lease, taking production on the basis of the 1938 level. From this statement it will be seen that the Companies will still have substantial surplus to cover possible increas in working costs and development expenditure and the proposed Excise duty will not in any way retar the growth or working of the industry.

64) Even the Ooregum Mine is not expected to sustain any loss on this account, but on the other hand it will also have additional cash resources.

65) The Excise duty is treated as working expenses and is deducted from the total income for the levy of Income-tax both here and in the United Kingdom, and if the Excise duty is not levied on the extra income, the Companies have to pay to the United Kingdom Government Income-tax at as high a rate as 7 sh. 6 d. per £. and also excess profits tax.

66) For the above reasons, I think that we may adhere to the seventy five per cent alone and there is no need to show any special consideration for the Ooregum Mine.

67) A draft note proposed to be sent to Mr. Kenneth Taylor (if necessary) is also put up for consideration.

A. Raghavachari.
16.2.40

1st MEMBER,
DEWAN.

68) Agd (N. Madhava Rao
17/2/40

69) Can we have the file back from the Palace?

70) Has not the file come back from the Palace?

71) Can we not have the draft letter in reply to be ready for issue from March 22.

19/2/40

72) Agd 21/2/40

NOTE— Contn. Sheet.

WD 2087—GPS—500—25-5-31

69) Yes. I'll get the file back from the Palace.

70) Can we not have the draft letter in reply to be ready for issue from March 22.

71) Agd 21/2/40

64) I agree. Even if the Ooregum Mine makes no profits there will be a surplus of 75% as proposed. Since there is no Mine's Companies are making enormous profits a little may be taken from K. Taylor Company and Govt. during this period to obtain their approval

I agree. Government will be perfectly within their rights in levying a duty of 75% as proposed, seeing that the Mining Companies are making enormous p_ _fits. A letter may be drafted to Mr.K.Taylor communicating Government's decision to him after obtaining His Highness's approval.

Has not the file come back from the palace?

An ordinance has also to be drafted levying the duty with effect from March'22.

Sir Mirza Ismail,

18.2.1940

N.Madhava Rao

21.2.40.

21

Serial No.

- Ind

N

REF:- First Member's minute dated 15th February 1940.

"Some modifications have been since suggested. These may be incorporated in the Bill."

The following modifications have been made in the Bill:-

Section 3 (2) first sub-para requiring the levy of Excise Duty on Gold produced and issued out of the premises of the works previously to 22nd March 1940 but which has not been sold previously to 22nd March 1940, has been deleted.

Section 3(2) Second sub-para. The words "Three-fourths of" have been added before "the" in line 2, as in the light of the discussion with Mr. Kenneth Taylor, the Dewan was pleased to say that the duty might be fixed at seventy-five per-cent instead of the entire excess over the basic level of Rs. 100 per ounce.

Mr. Kenneth Taylor saw me yesterday and said that the imposition of the Excise Duty was not justifiable and in the end appeared to prefer the duty being fixed at 50% instead of 75%. He asked me from which date the Duty would be levied. I said that it would not be levied before 22nd March 1940. as the Mysore Government wanted to respect the specific provision in the agreement. I also told him that there is pressing need for the Mysore Government also to

WD 2030—GPB—250—2-6-34

Submitted to His Highness.

I beg to invite kind reference to my Submission Note dated 9th February, 1940, regarding the levy, from 22nd March, 1940, of ~~an Excise~~ Duty on Gold produced in the State, at the rate of the excess net amount realised by the sale of every ounce of gold, over Rs. 100/- for each ounce, and the orders of His Highness approving of the same.

Mr. Kenneth Taylor of Messrs. John Taylor & Sons, met me on the 12th February, 1940, and represented that the proposed levy of ~~Excise~~ Duty on Gold would affect the profits and working of the Mining Companies and would also affect the interests of the share-holders, as the dividends may fall and the market price of shares may go down and as there would not be sufficient resources for meeting development expenditure and for possible increase in the working costs. The question was further examined and it is proposed to fix the amount of ~~Excise~~ Duty at 75 % of the excess over Rs.100/- for each ounce, instead of taking away the entire excess as previsouly proposed, in the light of the representation made. The appended statement shows roughly the surplus which would be available to the Companies on the basis of the production in the year 1938 even after the levy of ~~Excise~~ Duty at 75% of the excess over the price of Rs. 100/- for each ounce of Gold. I think that we will be perfectly within our rights in levying a duty of 75% as proposed, seeing that the Mining Companies are making enormous profits and even after this levy, sufficient cash resources will be available for the Companies to meet development expenditure and possible increase in working costs.

I therefore respectfully solicit the gracious sanction of His Highness to the above modified proposal.

Mirza M. Ismail
D E W A N.

Bangalore,
22nd February, 1940.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Modified proposal regarding the levy of Duty on Gold produced in the State.

No. 574

Order.

~~KRW~~

29/2/40

MMS
3.3.40

Serial No.

Letter dated 22nd February 1940 from Mr. Kenneth Taylor, ~~regarding~~ to the Dewan of Mysore regarding the proposed Excise Duty on Gold.

The Company desire that,

(1) The 5% Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the Excise.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional royalty," the value of the gold sales shall be taken after the deduction of the Excise."

I submit herewith a statement showing the revenue to be foregone by us. if we accept the above proposals. The Basic Royalty is 5% and the supplementary Royalty on adjusted profits works up to an average of 15% (based on the rates of dividends declared for the year 1938), and the net amount of Excise Duty will be only about 55%. Taking into account the extra income-tax which we would have realised on the additional revenue, but for the levy of ~~Excise~~ the duty, (three-sixteenths), the additional revenue by the levy of excise duty will be about 47% of the total additional revenue which the Company would realise by the increase in the price of Gold beyond Rs. 100 per ounce of Gold (150 shillings).

As the ~~Excise~~ Duty is based on the sale proceeds, it is reasonable to hold that the net sale proceeds (after deducting ~~Excise~~ duty) should

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Serial No.

be taken into account, for the purpose of calculating basic Royalty. On the other hand, if the duty is treated as a tax, it has to be deducted only from the gross sale proceeds (and not net sale proceeds ~~deducting~~ less duty). As regards adjusted profits, this tax has to be treated as working expenses, and in this view, it has to be ignored for the purpose of working out the "adjusted profits." The income under the latter is nearly three times the income under basic Royalty, and there is every possibility of its increase, if higher rates of dividends are declared by the Companies.

Originally, we wanted to take away the entire excess, and in the light of the representation of Mr. Kenneth Taylor, we reduced our share to only 75% of the excess. This really means that, if these proposals, which represent roughly a surrender of about Rs. 5½ lakhs, are accepted, instead of getting about Rs. 18 lakhs based on 1938 level, without Duty on Gold - both on account of enhanced dividend and Royalty and Income-tax - we get about Rs. 32 lakhs, representing only a net improvement of Rs. ~~20~~ 18 lakhs from all sources after the levy of the Excise Duty.

ASV (A.N. Raghavachar)
24.2.40

1st MEMBER)
DEWAN)

MM (C.N. Madhava Rao)
24/2/40

The 1st Mr has agreed as stated by the Dewan
a draft reply is put up for his orders &
approval
ASV (A.N. Raghavachar)
24/2/40
Dewan)

6/3.6

6926 25.2.40
Issued (Kaikini & Taylor)

To be ignored D.O (Dewan's office) MS
Sent back Raghavachar 24-2-40

Serial No.

1. D.O letter dt. 3.4.40 from Sir. V.S. Sundaram, Accountant General about the name to be given to the Levy.

~~REP~~ (1) Sir Charles Todhunter's D.O. dated 2nd March 1940.

(2) Letter dated 2nd March 1940, from the Secretary, Messrs. John Taylor & Sons' Committee Office.

Reference was made to the special taxation by the South African and Australian Governments, merely to justify our taking some special action, to get at least a portion of the extra revenue realised by the Gold Mining Companies on account of the increase in the price of Gold, for which the Mining Companies are not responsible. The conditions of working of the Mines in South Africa seem to differ from the working of our Gold Mines, as is but to be expected from the geographical and geophysical and other territorial conditions in the different parts of the World (vide Flag 'T') and the nature of the special taxation has to depend also on the taxation policy prevalent in each Government. The taxation was proposed to be in the form of a special duty (Excise) on Gold, as it was intended to give relief for Income-tax purposes (both here and in the United Kingdom). It is proposed to take only 75% of the excess profits, and in Dewan's letter dated 24th February 1940, the following suggestions of Mr. Kenneth Taylor were agreed to:-

(1) The 5% Royalty payable on the nett sale proceeds of the Gold will be calculated after deduction of the duty.

NOTE—Contn. Sheet

P.T.O.

Serial No. G.O. 3424

FINANCIAL

(2) In calculating the "adjusted profit" for the purpose of arriving at the additional royalty, the value of the Gold sales shall be taken after the deduction of the duty.

From the statement (Flagged 'N') it will be seen that we will really be getting only about 47% of the extra profit over the level of 150 shillings (Rs. 100) per ounce of Gold. The proposed legislation seems to be therefore the most suitable one, (vide letter of Mr. Sundaram, Accountant-General, Madras)

6289.

If we defer a decision, as suggested by the Mining Representative, there is the risk of the Companies removing more profitable ores now and leaving less profitable ones in future. We may, I think, give effect to the proposed legislation.

Draft letter to Messrs. John Taylor & Sons and draft reply to the Secretary of the Committee, Oorgaum are put up for approval.

Draft reply to Sir Charles Todhunter is also put up for consideration. ASO (A.N. Raghavachariar) 5.3.40

Dewan) Approved. May be issued after showing the file to the Hon'ble Minister who is arriving on the 10th instant. 7.3.40 (K.V. Ananthoraman)

The letter addressed to Dewan by Messrs. Kennedy Taylor & Shum to the 2nd Hon'ble Minister is also placed in the file. ASO 8/3/40

ASO) (A.N. Raghavachariar) 9.3.40

Dewan)

Serial No.

262

GAZETTE
MAR 12 1940
8375

It is not desirable to defer the promulgation of the Act. I have suggested a few verbal changes in the drafts.

Dewan.) MKV (NKV) 12/3/40

I agree.

Mr (M... Dewan)
13-3-40

Issue statement

MKV (N. Ka...)
13.3.40

A draft G.O. directing publication of the Act as Act XVII of 1940 is put up.

As the Act is directed to be promulgated without delay, the Press will be asked to issue it as a Gazette Extraordinary today alone.

Act XVI of 1940 the Foreigners Act, 1940 is in the stage of proof correction. If approved the opportunity will be taken to publish that Act also in the Gazette Extraordinary. This will also obviate the misprinting of a later Act appearing first in the Gazette.

Submitted for orders.

16.3.40.

The two Acts viz the Foreigners Act and the Gold Excise duty Act will if approved be issued as a Gazettee Extraordinary today.

Law Secy) MKV. (N.K. Varadachari)
16/3

I Member) Issue MKV 16/3 Hyd 16/3

MKV & Hyd 16/3/40 16/3/MKV 16/3

GAZETTE
MAR 16 1940
8514

Notes-Contn. Sheet.

36

The Duty on Gold (Surcharge) Act, 1940

Legn. File No. 53 of 1939

General and Revenue Secretariat.

Serial No.

Issued G.O. P6267 – Legn. 53-39-1 dated 16-3-40 directing Publication of the Act as Act XVII of 1940

The Act has been published in the Gazette Extraordinary of the 16th March 1940.

The file will be sent to the Financial Branch for their note (to take any further action) and return to be filed here. Submitted.

18.3.40

Issued P 6104 dt 1-4-40

Final Bdl

Secret 8

Letter No. Fe 5805 of 16.3.40 from the Fe Secy to the Secretary, Messrs. John Taylor & Sons Committee, Bangalore – Status regretting Govt's inability to defer decision and enclosing two copies of the Act for favour of early

Secret 9

D.O. Letter No. Fe 5892 of 18.3.40 from the Financial Secretary to the Private Secretary to His Highness the Maharaja explaining the implications of the levy – Stat

D.O. Letter No. F. 15. 3. 40 from Messrs. John Taylor & Sons to the Dewan of Mysore forwarding the protest of the Directors of the Company against the proposed levy of duty and suggesting, in the alternative, a levy on profits, rather than on gold values.

H. Secy. A reply may be drafted to this letter

Mirza Ismail
25. 3. 40.

Submitted with a draft.

1st Member & Dewan.

A. N. Raghavachar.
26. 3. 40.

Resubmitted with a reversed draft in the light of discussion

1st Member & Dewan

A. N. Raghavachar
27. 3. 40.

N. Madhava Rao
28. 3. 40.

Mirza Ismail
30. 3. 40.

Seen.

A. N. Raghavachar
1. 4. 40.

1 Letter No. F. 6104 dt. 1. 4. 1940 from the Financial Secretary to Messrs. John Taylor & Sons London stating that Govt have given their best

Consideration to the question before us...
the letter and assuring the cooperation of [illegible]
in the promotion of the development...
Thanks.

Comparative Statement showing the gross amount realized by the sale of Gold produced by the several Gold Mining Companies at Kolar.

(Rupees in Thousands)

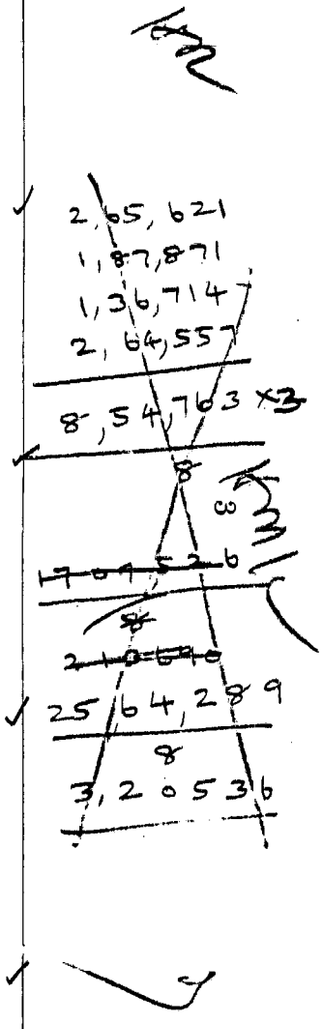
Mining Companies	Years	In the Month. January	February	March	April	May	June	July	August	September	October	November	December	Remarks
Mysore Gold Mining Co., Ltd.	1931	6,13	5,61	5,29	4,35	3,40	3,98	3,81	3,62	4 78	6,83	6,65	5,90	
	1932	5,44	4,88	5,26	5,50	5,56	5,52	5,74	5,73	5,94	6,23	6,32	6,29	
	1933	6,05	5,56	6,02	5,95	6,07	6,37	6,30	6,87	6,65	6,62	6,42	6,96	
	1934	7,04	6,38	6,89	6,74	7,06	6,94	7,06	7,21	7,06	7,13	7,10	7,50	
	1935	7,23	6,79	7,56	7,22	7,49	7,24	7,24	7,64	7,19	7,39	7,44	7,56	
	1936	7,39	7,18	7,73	7,21	7,50	7,17	7,32	7,50	7,61	7,57	7,61	7,69	
	1937	7,56	7,02	7,64	7,28	7,78	7,36	7,62	7,49	7,40	7,46	7,34	8,84	
	1938	7,47	6,82	7,61	7,30	7,77	7,61	8,14	8,40	8,08	8,41	8,46	9,12	
	1939	8,22	7,57	8,41	7,99	8,37	8,01	8,25	9,21	8,91				
Champion Reef	1931	3,03	3,02	3,21	3,08	2,99	2,99	3,10	3,38	3,75	3,83	4,36	4,14	Rate adopted:—Rs. per tola (being the rate at which the 1st consignment of Gold for 1939 was sold on
	1932	4,08	3,89	3,99	3,76	4,11	4,32	4,23	4,36	4,57	4,57	4,81	4,56	
	1933	4,37	4,02	4,35	3,91	4,19	4,38	4,55	4,94	4,66	4,48	4,40	4,85	
	1934	4,94	4,47	4,84	4,75	5,10	5,15	5,10	5,23	5,28	5,19	5,43	5,37	
	1935	5,40	5,05	5,52	5,20	5,40	5,23	5,23	5,48	5,17	5,32	5,22	5,31	
	1936	5,35	5,16	5,57	5,20	5,39	5,18	5,29	5,40	5,46	5,47	5,36	5,50	
	1937	5,44	5,04	5,49	5,23	5,57	5,27	5,45	5,39	5 32	5,37	5,28	5,93	
	1938	5,48	5,02	5,59	5,33	5,68	5,55	5,64	5,81	5,57	5,85	5,84	5,91	
	1939	5,82	5,35	5,97	5,67	5,94	5,70	5,85	6,15	5,61				
Ooregum	1931	2,81	2,49	2,59	2,60	2,75	2,71	2,79	3,52	4,04	5,02	4,55	4,23	
	1932	3,37	3,24	3,22	3,18	3,32	3,42	3,35	3,25	3,55	3,60	3,52	3,32	
	1933	3,53	3,10	3,29	3,36	3,37	3,51	3,78	4,13	3,96	3,65	3,44	3,66	
	1934	3,81	3,65	3,64	3,61	3,81	3,86	3,81	3,93	3,99	3,93	4,03	4,00	
	1935	4,00	4,09	4,10	3,95	4,01	3,95	3,84	4,24	4,11	4,41	4,15	3,99	
	1936	3,79	3,91	3,97	3,78	3,86	3,80	3,90	3,99	4,21	4,04	4,07	4,06	
	1937	3,99	4,01	4,09	3,91	4,07	3,96	3,90	3,80	3,80	3,74	3,88	3,84	
	1938	3,72	3,75	3,79	3,74	3,95	3,98	3,95	4,22	4,58	4,20	4,34	4,76	
	1939	4,23	4,25	4,50	4,42	4,49	4,44	4,44	4,94	4,92				
Nundydroog	1931	3,97	4,08	4,14	4,11	3,93	2,59	2,58	3,67	4,60	5,49	5,88	5,64	
	1932	5,49	5,27	5,34	5,35	6,06	8,00	7,09	7,32	7,38	7,02	8,08	8,28	
	1933	8,15	10,81	10,04	9,39	7,85	7,72	8,71	8,96	8,99	8,10	8,25	8,91	
	1934	8,75	8,48	7,96	8,28	8,58	8,47	8,37	8,54	8,62	8,45	8,50	9,58	
	1935	8,83	8,99	8,88	8,53	8,60	8,45	8,39	8,90	8,60	8,50	8 61	8,51	
	1936	8,65	8,37	8,90	8,41	8,91	8,75	8,66	8,85	9,22	8,96	8,95	9 01	
	1937	8,91	8,27	8,95	8,55	9,07	8,66	8,90	8,81	8,33	8,42	8,26	8,50	
	1938	8,08	7,36	7,97	7,46	7,94	7,76	7,90	8,15	7,80	8,17	8,16	8,28	
	1939	7,96	7,27	7,88	7,49	7,78	7,48	7,68	8,58	8,30				

| | | |

Statement showing the Rates at which the Gold produced in the several Gold Mining Companies at Kolar was Sold.

Consignments	Years	January	February	March	April	May	June	July	August	September	October	November	December	Remarks
		Rate per Tola.												
First Consignment ...	1931	21 5 3·7	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 4 9·4	26 2 11·5	26 4 0 3	30 8 6·4	28 9 0·4	
Second do ...	,,	21 5 0·4	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	21 3 10	25 0 0·4	25 10 0·4	28 5 4·7	29 1 0·5	28 14 6·4	
First do ...	1932	29 0 6	27 12 0	26 14 6	27 15 6	27 14 3	28 10 0	29 1 9	29 1 0	29 5 11	30 8 0	31 6 0	30 4 7	
Second do ...	,,	28 15 0	26 13 0	27 12 0	27 14 6	28 6 0	28 13 6	29 3 0	29 4 0	30 13 9	31 1 10	30 2 9	30 3 0	
First do ...	1933	29 12 0	29 8 1	29 14 7	30 6 0	30 2 3	30 12 5	30 11 9	32 4 2	33 1 6	32 11 9	31 3 3	32 3 6	
Second do ...	,,	29 11 10	29 10 0	29 13 6	30 3 11	30 3 6	30 7 9	31 11 0	33 1 3	32 9 1	31 13 9	31 1 0	32 11 0	
First do ...	1934	34 6 0	33 13 0	33 5 9	33 10 0	34 3 3	34 3 6	34 4 3	34 12 6	35 6 6	34 7 11	34 13 6	35 0 6	
Second do ...	,,	33 11 0	33 8 4	33 6 6	33 14 9	34 0 7	34 3 3	34 9 0	35 2 0	34 10 6	34 9 11	34 13 9	34 12 3	

		To end of the Month.											
Mysore ,, ...	1931	28,757	55,148	80,077	1,00,536	1,16,540	1,35,257	1,53,187	1,68,865	1,87,320	2,12,657	2,34,988	2,55,557
	1932	18,744	36,638	55,925	75,624	95,401	1,14,617	1,34,324	1,53,965	1,73,741	1,93,957	2,14,493	2,35,297
	1933	20,328	39,145	59,308	78,925	99,046	1,19,832	1,40,006	1,61,053	1,81,299	2,01,800	2,22,426	2,43,879
	1934	20,672	39,623	60,257	80,229	1,00,932	1,21,209	1,41,711	1,62,339	1,82,480	2,03,109	2,23,495	2,44,998
	1935	20,559	39,339	60,473	81,010	1,02,404	1,23,279	1,44,218	1,66,080	1,86,638	2,07,843	2,29,203	2,51,035
	1936	21,321	42012	64,243	85,068	1,06,698	1,27,937	1,49,320	1,71,063	1,92,749	2,14,309	2,36,025	2,57,959
	1937	21,497	41,479	63,418	84,426	1,06,813	1,28,074	1,50,140	1,71,731	1,93,040	2,14,644	2,35,960	2,61,625
	1938	21,689	41,386	63,182	84,025	1,05,967	1,27,412	1,50,076	1,73,327	1,95,625	2,18,369	2,41,071	2,65,621
	1939	22,225	42,707	65,425	86,991	1,09,563	1,31,166	1,53,413	1,76,027	1,97,646			
Champion Reef ,, ...	1931	14,219	28,443	43,533	58,022	72,102	86,187	1,00,806	1,15,378	1,29,843	1,43,834	1,58,511	1,72,924
	1932	14,083	28,343	42,932	56,406	71,001	86,025	1,00,551	1,15,477	1,30,662	1,45,520	1,61,139	1,76,222
	1933	14,716	28,308	42,859	55,782	69,646	83,936	98,528	1,13,622	1,27,823	1,41,681	1,55,819	1,70,738
	1934	14,499	27,777	42,262	56,329	71,274	86,329	1,01,163	1,16,126	1,31,179	1,46,207	1,61,788	1,77,174
	1935	15,351	29,286	44,704	59,490	74,927	90,024	1,05,129	1,20,833	1,35,613	1,50,868	1,65,861	1,81,191
	1936	15,438	30,306	46,313	61,332	77,053	92,126	1,07,589	1,23,263	1,38,822	1,54,381	1,69,661	1,85,368
	1937	15,477	29,827	45,608	60,694	76,718	91,953	1,07,742	1,23,271	1,38,592	1,54,146	1,69,489	1,86,724
	1938	15,890	30,395	46,402	61,615	77,661	93,301	1,09,007	1,25,097	1,40,470	1,56,283	1,71,963	1,87,871
	1939	15,734	30,202	46,313	61,628	77,638	93,011	1,08,797	1,23,890	1,37,511			
Ooregum ,, ...	1931	13,155	24,881	37,085	49,305	62,250	74,992	88,111	1,03,201	1,18,816	1,37,050	1,52,346	1,67,060
	1932	11,608	23,490	35,280	46,677	58,449	70,367	81,850	93,004	1,04,776	1,16,460	1,27,905	1,38,874
	1933	11,874	22,363	33,364	44,443	55,598	67,068	79,171	91,817	1,03,860	1,15,173	1,26,228	1,37,494
	1934	11,196	22,025	32,920	43,621	54,785	66,067	77,126	88,379	99,755	1,11,116	1,22,678	1,34,128
	1935	11,370	22,688	34,147	45,386	56,853	68,231	79,348	91,488	1,03,239	1,15,882	1,27,803	1,39,314
	1936	10,935	22,200	33,610	44,537	55,809	66,909	78,301	89,862	1,01,868	1,13,376	1,24,974	1,36,554
	1937	11,344	22,755	34,502	45,798	57,505	68,950	80,241	91,178	1,02,116	1,12,961	1,24,233	1,35,383
	1938	10,796	21,615	32,474	43,158	54,329	65,554	76,548	88,234	1,00,888	1,12,260	1,23,904	1,36,714
	1939	11,419	22,933	35,094	47,027	59,138	71,104	83,075	95,199	1,07,137			
Nundydroog ,, ...	1931	18,616	37,814	57,296	76,645	95,172	1,07,373	1,19,500	1,35,437	1,53,205	1,73,455	1,93,097	2,12,755
	1932	18,926	38,152	57,783	76,927	98,505	1,26,337	1,50,662	1,75,770	2,00,327	2,23,113	2,49,417	2,76,806
	1933	27,382	63,931	97,542	1,28,530	1,54,536	1,79,734	2,07,604	2,34,993	2,62,386	2,87,457	3,13,961	3,41,462
	1934	25,678	50,834	74,671	99,204	1,24,342	1,49,115	1,73,467	1,97,937	2,22,491	2,46,947	2,71,338	2,98,793
	1935	25,114	49,938	74,752	98,993	1,23,548	1,47,925	1,72,187	1,97,675	2,22,264	2,46,638	2,71,359	2,95,933
	1936	24,947	49,074	74,657	98,945	1,24,951	1,50,495	1,75,796	2,01,479	2,27,743	2,53,246	2,78,778	3,04,491
	1937	25,336	48,874	74,590	99,271	1,25,358	1,50,363	1,76,156	2,01 551	2,25,534	2,49,918	2,73,901	2,98,598
	1938	23,443	44,707	67,541	88,845	1,11,289	1,33,175	1,55,176	1,77,707	1,99,246	2,20,365	2,42,259	2,64,557
	1939	21,503	41,184	62,459	82,686	1,03,663	1,23,839	1,44,548	1,65,643	1,85,804			



Comparative Statement showing the quantity of Gold produced in the several Gold Mining Companies at Kolar. (in Tolas)

Mining Companies	Years	January	February	March	April	May	June	July	August	September	October	November	December	Remarks
							In the Month.							
Mysore Gold Mining Co., Ltd.	1931	28,757	26,391	24,929	20,459	16,004	18,717	17,930	15,678	18,455	25 337	22,331	20,562	Figures for the month are according to the production statements for..... 1939.
	1932	18,744	17,894	19,287	19,699	19,777	19,216	19,707	19,641	19,776	20,216	20,536	20,804	
	1933	20,328	18,817	20,163	19,617	20,121	20,786	20,174	21,047	20,246	20,501	20,626	21,453	
	1934	20,672	18,951	20,634	19,972	20,703	20,277	20,502	20,628	20,141	20,629	20,386	21,503	
	1935	20,559	18,780	21,134	20,537	21,394	20,875	20,939	21,862	20,558	21,205	21,360	21,832	
	1936	21,321	20,691	22,231	20,825	21,930	20,939	21,383	21,743	21,686	21,560	21,716	21,934	
	1937	21,497	19,982	21,939	21,008	22,387	21,261	22,066	21,591	21,309	21,604	21,316	25,665	
	1938	21,689	19,697	21,796	20,843	21,942	21,445	22,664	23,251	22,298	22,744	22,702	24,550	
	1939	22,225	20,482	22,718	21,566	22,572	21,603	22,247	22,614	21,619				
Champion Reef	1931	14,219	14,224	15,090	14,489	14,080	14,085	14,619	14,572	14,465	13,991	14,677	14,413	
	1932	14,083	14,260	14,589	13,474	14,595	15,024	14,506	14,946	15,185	14,858	15,619	15,083	
	1933	14,716	13,592	14,551	13,923	13,864	14,290	14,592	15,094	14,201	13,858	14,138	14,919	
	1934	14,499	13,278	14,485	14,067	14,945	15,055	14,834	14,963	15,053	15,028	15,581	15,386	
	1935	15,351	13,935	15,418	14,786	15,437	15,097	15,105	15,704	14,780	15,255	14,993	15,330	
	1936	15,438	14,868	16,007	15,019	15,721	15,143	15,643	15,674	15,559	15,559	15,280	15,707	
	1937	15,477	14,350	15,781	15,086	16,024	15,235	15,789	15,529	15,321	15,554	15,343	17,235	
	1938	15,890	14,505	16,007	15,213	16,046	15,640	15,706	16,090	15,373	15,813	15,680	15,908	
	1939	15,734	14,468	16,111	15,315	16,010	15,373	15,786	15,093	13,621				
Doregum	1931	13,155	11,726	12,204	12,220	12,945	12,742	13,119	15,090	15,615	18,234	15,296	14,714	
	1932	11,608	11,882	11,790	11,397	11,772	11,918	11,483	11,154	11,772	11,684	11,445	10,969	
	1933	11,874	10,489	11,001	11,079	11,155	11,470	12,103	12,646	12,043	11,313	11,055	11,266	
	1934	11,196	10,829	10,895	10,701	11,164	11,282	11,059	11,253	11,376	11,361	11,562	11,450	
	1935	11,370	11,318	11,459	11,239	11,467	11,378	11,117	12,140	11,751	12,643	11,921	11,511	
	1936	10,935	11,265	11,410	10,927	11,272	11,100	11,392	11,561	12,006	11,508	11,598	11,580	
	1937	11,344	11,411	11,747	11,296	11,707	11,445	11,291	10,937	10,938	10,845	11,272	11,150	
	1938	10,796	10,819	10,859	10,684	11,171	11,225	10,994	11,686	12,654	11,372	11,644	12,810	
	1939	11,419	11,514	12,161	11,933	12,111	11,966	11,971	12,124	11,938				
Nundydroog	1931	18,616	19,198	19,482	19,349	18,527	12,201	12,127	15,937	17,768	20,250	19,642	19,658	
	1932	18,926	19,226	19,631	19,144	21,578	27,832	24,325	25,108	24,557	22,786	26,304	27,389	
	1933	27,382	36,549	33,611	30,988	26,006	25,198	27,870	27,389	27,393	25,071	26,504	27,501	
	1934	25,678	25,156	23,837	24,533	25,138	24,773	24,352	24,470	24,554	24,456	24,391	27,445	
	1935	25,114	24,824	24,814	24,241	24,555	24,377	24,262	25,488	24,589	24,374	24,721	24,574	
	1936	24,947	24,127	25,583	24,288	26,006	25,544	25,301	25,683	26,264	25,503	25,532	25,713	
	1937	25,336	23,538	25,716	24,681	26,087	25,005	25,793	25,395	23,983	24,384	23,983	24,687	
	1938	23,443	21,264	22,834	21,304	22,444	21,886	22,001	22,531	21 539	21,119	21,894	22,298	
	1939	21,503	19,681	21,275	20,227	20,977	20,176	20,709	21,095	20,161				

COMPARATIVE STATEMENTS SHOWING THE QUANTITIES OF GOLD PRODUCED AND THE GROSS AMOUNTS REALIZED BY THE SEVERAL GOLD MINING COMPANIES AT KOLAR.

MONTH.....October.....1939.

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		To end of the Month.											
Mysore ...	1931	3,13	11,74	17,03	21,38	24,78	28,76	32,57	36,19	40,97	47,80	54,45	60,35
	1932	5,44	10,32	15,58	21,08	26,64	32,16	37,90	43,63	49,57	55,80	62,12	68,41
	1933	6,05	11,61	17,63	23,58	29,65	36,02	42,32	49,19	55,84	62,46	68,88	75,84
	1934	7,04	13,42	20,31	27,05	34,11	41,05	48,11	55,32	62,38	69,51	76,61	84,11
	1935	7,23	14,02	21,58	28,80	36,29	43,53	50,77	58,41	65,60	72,99	80,43	87,99
	1936	7,39	14,57	22,30	29,51	37,01	44,18	51,50	59,00	66, 61	74,18	81,79	89,48
	1937	7,56	14,58	22,22	29,50	37,28	44,64	52,26	59,75	67,15	74,61	81,95	90,79
	1938	7,47	14,29	21,90	29,20	36,97	44,58	52,72	61,12	69,20	77,61	86,07	95,19
	1939	8,22	15,79	24,20	32,19	40,56	48,57	56,82	66,03	74,94			
Champion Reef	1931	3,03	6,05	9,26	12,34	15,33	18,32	21,42	24,80	28,55	32,38	36,74	40,88
	1932	4,08	7,97	11,96	15,72	19,83	24,15	28,38	32,74	37,31	41,88	46,69	51,25
	1933	4,37	8,39	12,74	16,65	20,84	25,22	29,77	34,71	39,37	43,85	48,25	53,10
	1934	4,94	9,41	14,25	19,00	24,10	29,25	34,35	39,58	44,86	50,05	55,48	60,85
	1935	5,40	10,45	15,97	21,17	26,57	31,80	37,03	42,51	47,68	53,00	58,22	63,53
	1936	5,35	10,51	16,08	21,28	26,67	31,85	37,14	42,54	48,00	53,47	58,83	64,33
	1937	5,44	10,48	15,97	21,20	26,77	32,04	37,49	42,88	48,20	53,57	58,85	64,78
	1938	5,48	10,50	16,09	21,42	27,10	32,65	38,29	44,10	49,67	55,52	61,36	67,27
	1939	5,82	11,17	17,14	22,81	28,75	34,45	40,30	46,45	52,06			
Ooregum ...	1931	2,81	5,30	7,89	10,49	13,24	15,95	18,74	22,26	26,30	31,32	35,87	40,10
	1932	3,37	5,61	9,83	13,01	16,33	19,75	23,10	26,35	29,90	33,50	37,02	40,34
	1933	3,53	6,63	9 92	13,28	16,65	20,16	23,94	28,07	32,03	35,68	39,12	42,78
	1934	3,81	7,46	11,10	14,71	18,52	22,38	26,19	30,12	34,11	38,04	42,07	46,07
	1935	4,00	8,09	12,19	16,14	20,15	24,10	27,94	32,18	36,29	40,70	44,85	48,84
	1936	3,79	7,70	11,67	15,45	19,31	23,11	27,01	31,00	35,21	39,25	43,32	47,38
	1937	3.99	8,00	12,09	16,00	20,07	24,03	27,93	31,73	35,53	39,27	43,15	46,99
	1838	3,72	7,47	11,26	15,00	18,95	22.93	26,88	31,10	35,68	39,88	44,22	48,98
	1939	4,23	8,48	12,98	17,40	21,89	26,33	30,77	35,71	40,63			
Nundydroog ...	1931	3,97	8,05	12,19	16,30	20,23	22,82	25,40	29,07	33,67	39,16	45,04	50,68
	1932	5,49	10,76	16,10	21,45	27,51	35,51	42,60	49,92	57,30	64,32	72,40	80,68
	1933	8,15	18,96	29,00	38,39	46,24	53,96	62,67	71,63	80,62	88,72	96,97	1,05,88
	1934	8,75	17,23	25,19	33,47	42,05	50,52	58,89	67,43	76,05	84,50	93,00	1,02,58
	1935	8,83	17,82	26,70	35,23	43,83	52,28	60,67	69,57	78,17	86,67	95,28	1,03,79
	1936	8,65	17,02	25,92	34,33	43,24	51,99	60,65	69,50	78,72	87,68	96,63	1,05,64
	1937	8,91	17,18	26,13	34,68	43,75	52,41	61,31	70,12	78,45	86,87	95,13	1,03,63
	1938	8,08	15,44	23,41	30,87	38,81	46,57	54,47	62,62	70,42	78,59	86,75	95,03
	1939	7,96	15,23	23,11	30,60	38,38	45,86	53,54	62,12	70,42			

BANGALORE

... .*1939.*

No. ..... dated .....

Books

orwarded, with compliments, to the Financial Development Secretary to Government.

WD-2829—GPB—10—15-11-38

Statement showing the dates on and the rates at which the monthly consignments of gold were sold by the K.G.F.Mining Companies in Bombay and the exchange rates at which the amounts were transferred to London.

Month	Consignment. No.	Date of sale.	Rate at which sold in Indian currency ~~per oz~~ Per ounce	Rate prevailing on the day in London as per ~~morning~~ Newspapers.			Date of ~~re-~~ Realisation and transfer from Bombay to London.	T.T. Rate Bombay to London.	Rate per ounce in sterling.		
1	2	3	4	5			6	7	8		
1939.			Rs. A. P.	£	s.	d.		S. d.	£	s.	d.
January	585	9- 2-39	98-12-8	7	8	3½	18- 2-39	1.5 29/32	7	7	5
	586	23- 2-39	98- 9-4	7	8	4	4- 3-39	1.5 15/16	7	7	4¼
February	587	9- 3-39	98- 6-8	7	8	3	18- 3-39	-do-	7	7	1¼
	588	25- 3-39	98-10-0	7	8	5	4- 4-39	1.5 29/32	7	7	2
March	589	5- 4-39	98-13-4	7	8	6	15- 4-39	-do-	7	7	5¾
	590	19- 4-39 / 20- 4-39	98-10-4	7	8	6½	29- 4-39	-do-	7	7	2¼
April	591	4- 5-39	98-11-0	7	8	6	13- 5-39	-do-	7	7	3
	592	19- 5-39	98-14-8	7	8	6	29- 5-39	1.5 27/32	7	7	1
May	593	2- 6-39	98-15-8	7	8	5	12- 6-39	1.5 7/8	7	7	5¼
	594	24- 6-39	98-14-0	7	8	6	4- 7-39	-do-	7	7	3½
June	595	6/12- 7-39	98-15-0	7	8	6	15/22- 7-39	do-	7	7	4½
	596	19/22- 7-39	98-14-6.9	7	8	6	29- 7-39 / 1- 8-39	7/8 / 1.5 29/32	7	7	4½
July	597	1/9- 8-39	98-14-8	7	8	6½	11&19- 8-39	1.5 29/32	7	7	7¼
	598	19- 8-39	98-14-4	7	8	7	28- 8-39	1.5 29/32	7	7	6¾
August	599	8- 9-39	107- 4-0	8	8	0	18- 9-39	-do-	8	0	½
	600	27- 9-39 / 29- 9-39	110- 0-0 / 109- 9-4	8	8	0	7-10-39 / 9-10-39	1.5 31/32	8 / 8	4 / 4	8½ / 1
Septr.	601	7-10-39	109-10-8	London Market Closed			17-10-39	1.5 31/32	8	4	2½
	602	21-10-39	110- 0-8	8	8	0	31-10-39	-do-	8	4	9¼
Present Market Price	..	15-12-39	112- 0-0 (About)	8	8	0					

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(3)

A T1

EXCISE DUTY ON GOLD.

Present.

Basic rate	..	150 sh. per Oz.
Present price of gold		168 -do-
Difference	..	18 sh.
Basic Royalty 5%	..	.9/1000 sh.
Income-tax at 3 annas in the Rupee 0-2-0) 0-1-0)	..	3.3750 sh.
Total	..	4.2750 sh.

Proposed.

Basic Royalty 5%	..	.90,000 sh.
Excise Duty 75%	..	13.50,000 sh.
Income-tax at 3 annas in the Rupee on 4½ sh.		.84,375 sh.
Total	..	15.24,375
Difference		15.24,375
		4.27,500
		10.96,875 sh.

For 18 sh. percentage is 60%.

AD/1571/00

16)	Difference between 11 and 15 ..	£13,750	£ 9,719	£ 7,071	£13,748	£ 44,288
17)	Total surplus available for the Company (10 plus 16) ..	£28,722	£15,758	£16,593	£22,738	£ 83,811

D.C. A.N. Ramachandran
16-2-40

STATEMENT 'B'. EXCISE DUTY ON GOLD.

	Mysore Mine	Champion Reef	Ooregum Mine	Nundydroog Mine	T o t a l.
1) Fine Gold produced in 1938 - ounces:	99,773	70,508	51,301	99,751	3,21,333
2) Rate realised per Oz. in 1938 - sh:	142	142	142	142	142
3) Extra amount realisable at 150 sh.	£39,909	£28,203	£20,520	£39,900	1,28,532
4) Less basic royalty on the excess 5%	£ 1,995	£ 1,410	£ 1,026	£ 1,995	6,426
5) Less Income-tax at 3/16th on the excess	£ 7,483	£ 5,288	£ 3,847	£ 7,481	24,099
6) Net extra amount (3-4-5) available at 150 sh.	£30,431	£21,505	£15,647	£30,424	98,007
7) Extra power charges payable counting on an increase of Rs. 4 lakhs over the present level of revenue against 5.7 lakhs estimated by the C.E.E.	£ 7,500	£ 7,500	£ 5,625	£ 9,375	£ 30,000
8) Extra supplementary royalty on adjusted profits for the period of the new lease	£ 7,959	£ 7,966	£ 500	£12,059	£ 28,484
9) Total of 7 & 8.	£15,459	£15,466	£ 6,125	£21,434	£ 58,484
10) Surplus (6-9)	£14,972	£ 6,039	£ 9,522	£ 8,990	£ 39,523
11) Extra amount realisable at 168 sh. (in excess of 150 sh.) ..	£89,795	£63,457	£46,171	£89,775	£ 2.89.198
12) Less basic royalty on the excess (5%)	£ 4,489	£ 3,172	£ 2,308	£ 4,488	£ 1,457
13) Less Excise duty proposed(¾ of 18d.).	£67,347	£47,592	£34,628	£67,331	£ 2,16,898
14) Less Income-tax on one-fourth of item 11 at 3/16th.	£ 4,209	£ 2,974	£ 2,164	£ 4,208	£ 13,555
15) Total of 12 to 14	£76,045	£53,738	£39,100	£76,027	£ 2,44,910

15) Total of 12 to 14	£76,045	£53,738	£39,100	76,027	£ 2,44,910
16) Difference between 11 and 15 ..	£13,750	£ 9,719	£ 7,071	13,748	£ 44,288
17) Total surplus available for the Company (10 plus 16) ..	£28,722	£15,758	£16,593	£22,738	£ 83,811
18) Loss under Basic Royalty 5% of item 13. ..	£ 3,367	£ 2,380	£ 1,731	£ 3,366	£ 10,844 ✓
19) Loss under Adjusted profits - Taking the percentage of our share on the basis of the Dividends declared for the year 1938. ..	£ 6,734 (10%)	£ 7,140 (15%)	£ 1,731 (5%)	£13,464 (20%)	£ 29,069 ✓ A
20) Net Excise Duty (13 - 18 - 19)	£57,246	£38,072	£31,166	£50,501	£1,76,985 ✓
21) Extra Income-tax which would have been realised but for the levy of Excise duty 3/16th of item 13 ..	£12,627	£ 8,922	£ 6,492	£12,624	£40, 665 ✓
22) Net extra amount payable to the Mysore Government (~~Excise duty. Net~~).	£44,619	£29,150	£24,674	£37,877	£1,36,320 ✓
23) Percentage of item 22 to item 11 about ..	50%	46%	53%	42%	47% ✓

STATEMENT 'B'.

EXCISE DUTY ON GOLD.

	Mysore Mine	Champion Reef	Ooregum Mine	Nundydroog Mine	T o t a l.
1) Fine Gold produced in 1938 - ounces:	99,773	70,508	51,301	99,751	,21,333 ✓
2) Rate realised per Oz. in 1938 - sh:	142	142	142	142	142 ✓
3) Extra amount realisable at 150 sh.	£39,909	£28,203	£20,520	£39,900	,28,532 ✓
4) Less basic royalty on the excess 5%	£ 1,995	£ 1,410	£ 1,026	£ 1,995	,426
5) Less Income-tax at 3/16th ~~on~~ of the excess	£ 7,483	£ 5,288	£ 3,847	£ 7,481	24,099
6) Net extra amount (3-4-5)	£30,431	£21,505	£15,647	£30,424	98,007
7) Extra power charges payable counting on an increase of Rs. 4 lakhs over the present level of revenue against 5.7 lakhs estimated by the C.E.E.	£ 7,500	£ 7,500	£ 5,625	£ 9,375	£ 30,000
8) Extra supplementary royalty on adjusted profits for the period of the new lease	£ 7,959	£ 7,966	£ 500	£12,059	£ 28,484
9) Total of 7 & 8.	£15,459	£15,466	£ 6,125	£21,434	£ 58,484
10) Surplus (6-9)	£14,972	£ 6,039	£ 9,522	£ 8,990	£ 39,523
11) Extra amount realisable at 168 sh (in excess of 150 sh.) ..	£89,795	£63,457	£46,171	£89,775	£ 2,89,198 ✓
12) Less basic royalty on the excess (5%)	£ 4,489	£ 3,172	£ 2,308	£ 4,488	£ 14,457 ✓
13) Less Excise duty proposed(¾ of 18sh)	£67,347	£47,592	£34,628	£67,331	£ 2,16,898 ✓
14) Less Income-tax on one-fourth of item	£ 4,209	£ 2,974	£ 2,164	£ 4,208	£ 13,555

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Telegraphic Address :—
"MINESPECTOR"

DEPARTMENT OF MINES AND EXPLOSIVES.

D.O. No. 1103/Enc.1. *Dated Oorgaum,* 14th Dec. '39
(S. India).

FINANCIAL SECRETARY 15 DEC. GOVT. OF MYSORE

To Letter No 1103 dy 14.12.39
From the Chief Inspector of Mines
to the Financial Secy to Govt

Dear Mr. Raghavachar,

I am enclosing herewith for your information an extract from the South African Mining and Engineering Journal giving the text of the Bill passed by the Australian Commonwealth Government re: the Gold Levy

£.1/- sterling is equal to 1.25 pounds — Australian.

Yours sincerely,

K. Venkateswarans

A.N. Raghavachar, Esq., M.A.,
Financial Secretary to
the Government of
His Highness the Maharaja of Mysore,
Bangalore.

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Extract from The South African Mining and Engineering Journal

November 11, 1939 - Page 308.

x x x x x

AUSTRALIAN GOLD LEVY

The actual text of the Bill passed by the Commonwealth Government providing for an excise duty on gold production is as follows:-

1. That on and after the 15th day of September, 1939, at 9 O'clock on the forenoon reckoned according to standard time in th territory of the Seat of Government, duty of excise is collected on all gold produced at any time in Australia or in any territory under the Commonwealth of Australia and delivered in Australia or any such such territory to the Commonwealth Bank of Australia in these resolutions referred to as the bank or an agent of the bank after the time aforementioned.

2. That the amount of the duty of excise imposed in pursuance of these resolutions in respect of any gold so produced or delivered by any person be one-half of the amount by which the amount payable by the bank in respect of the gold so produced and delivered exceeds an amount calculated at the rate of £.9 for each ounce of fine gold contained in the gold so produced.

The price of gold has been fixed by the Bank of England at £.8 8s. British Currency. On this price the tax will be 15s. per fine oz. of gold sold and the price gold mining companies will receive will be £.A9 15s. per fine oz. Gold production in Australia is now 1,800,000 fine oz. so that the total amount to be paid will be £.A1,350,000.

x x x x x

"Copy".

Chief Inspector of Mines &
Explosives in Mysore.

14/12/39.

D.O Letter dt 11-2-1940
from Mr. Kenneth B.
Taylor of Messrs. John Taylor & Sons, Marikuppam to
the Dewan of Mysore

MARIKUPPAM P.O.
MYSORE STATE
S. INDIA.

Feb. 11th 1940

Dear Sir Mirza

Mr. Johnston left
for you to me yesterday
that you were kind enough
to send to me. I am sure
that you could not have
chosen me your
successor in which I
to find to do a better
when it comes
to the responsible
the direction of the affairs
of the great industry
& to their friendly

interested in it.
In view of the grant
of the Position that
will be created I
write to ask that you
will grant me a
private interview at
the earliest date
possible & I look
myself privilege
to come into Bangalore
& meet you at the
earliest notice.

P. 75

Yours sincerely

Lionel R. B. Taylor

Marikuppam.

Letter dated 11th February 1940, from Mr.Kenneth B.Taylor, to Sir Mirza Ismail, Dewan of Mysore, Bangalore.

The information that you gave to me yesterday that Government shortly intend to impose an excise duty upon gold has caused me grave concern as indeed it is bound to do in London when it becomes known to those responsible for the direction of the affairs of this great industry and to those financially interested in it.

In view of the gravity of the position that will be created, I write to ask that you will grant me a private interview at the earliest date possible. I hold myself available to come into Bangalore to meet you at the shortest notice.

---

raphic Address :—
"MINECPECTOR"

FEB 21 1940

3173

41

GEN. SECT. MYSORE

FINANCIAL BRANCH.

DEPARTMENT OF MINES AND EXPLOSIVES.

D.O. No. 1712 Dated Oorgaum, 15th Feb. 1940
(S. India)

Dear Mr. Raghavachar,

I am enclosing herewith extracts from the Mining Magazine for January 1940 re: latest developments in the Government's policy of appropriating the proceeds of the gold premium above 150sh. per

Yours sincerely,

A.N.Raghavachar, Esq., M.A.,
Financial Secretary to the
Government of His Highness
the Maharaja of Mysore,
Bangalore.

Extracts from the Mining Magazine for January 1940 - pages 2 & 28.

It was recently announced that as from December 12 last the rate of duty on gold exported from Gold Coast Colony has been increased. This duty is now 15% on the increase in the price of the metal from 85s. to 150s. and 50% on the pric above 150s. per fine oz.

* * * *

STATE AID FOR MINES - UNION OF SOUTH AFRICA.

Important qualifications in the Government's policy of appropriating the proceeds of the gold premium over and above 150s. per oz. fine will, it is understood, be incorporated in the enabling legislation to be submitted to Parliament during the next session. The Government will be prepared to deal with the question of higher costs when actual increases are brought to its notice by the industry. In order to carry out this undertaking next year's legislation is expected to make provision for two forms of relief to the mining industry. One envisages a general rise in production costs, which is, of course, inevitable. In such circumstances the Government will be able to make a general increase in the maximum price now fixed for gold. The second proposal is designed to obviate hardships on individua mines working on a very low grade. A considerable number of Rand Mines today have reached a stage where any further increase in costs would make it impossible for them to supply sufficient payable ore to allow their enlarged milling plants to operate to full capacity. The Government is naturally anxious to avoid that contingency. At the same time it is considering proposals to avert the closing of developing mine which cannot under existing circumstances secure sufficient capital to carry on.

* * * *

Extracts from the Mining Magazine for January 1940 - pages 2 & 28

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x x x x x x x x x

State Aid for Mines.- Union of South Africa.

Important qualifications in the Government's policy of appropriating the proceeds of the gold premium over and above 150s per oz. fine will, it is understood, be incorporated in the enabling legislation to be submitted to Parliament during the next session. The Government will be prepared to deal with the question of higher costs when actual increases are brought to its notice by the industry. In order to carry out this undertaking next year's legislation is expected to make provision for two forms of relief to the mining industry. One envisages a general rise in production costs, which is, of course, inevitable. In such circumstances the Government will be able to make a general increase in the maximum price now fixed for gold. The second proposal is designed to obviate hardships on individual mines working on a very low grade. A considerable number of Rand Mines today have reached a stage where any further increase in costs would make it impossible for them to supply sufficient payable ore to allow their enlarged milling plants to operate to full capacity.

The

The Government is naturally anxious to avoid that contingency. At the same time it is considering proposals to avert the closing of developing mines which cannot under existing circumstances secure sufficient capital to carry on.

x x x x x x

K. Ramaiswami

Chief Inspector of Mines &
Explosives in Mysore.
15/2/1940.

P 47

Act No. of 1940.

THE MYSORE GOLD (~~EXCISE DUTY~~) ACT, 1940.

An Act to provide for the imposition and the payment of ~~an excise~~ duty on gold.

WHEREAS it is expedient to impose ~~an excise~~ duty on gold and to provide for the payment thereof: It is hereby enacted as follows:-

1. (1) This Act may be called the Mysore Gold (~~Excise Duty~~) Act, 1940.

(2) It extends to the whole of Mysore.

2. In this Act, unless there is anything repugnant in the subject or context,-

(a) "gold works" means any place where gold is extracted from ore;

(b) "owner of a gold works" includes his agents and persons in charge of the gold works;

(c) "prescribed" means prescribed by rules made under the Act; and

(d) "standard price" means a price of one hundred rupees for one ounce of gold.

3. (1) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940 a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(2) The duty on every ounce of gold shall be three fourths of the amount by which its sale price exceeds ~~the standard price.~~ one hundred rupees per ounce

Explanation. For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

(3) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

4. (1) If any duty remains unpaid at the end of the period specified in sub-section (3) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof, recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(2) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (2) shall be recoverable as an arrear of land revenue.

5. (1) No person shall issue any gold out of the premises of any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special orders of the Government.

(2) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued

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Page 76

G.F. 128-39-3.

MARIKUPPAM P. O.,
MYSORE STATE,
S. INDIA.

22nd February 1940

D.O Letter dt 22.2.40 from Mr. Kenneth Taylor
Marikuppam, Mysore to the Dewan of Mysore

Dear Sir Mirza,

I have now heard from London, written immediately after they had my cabled advice of your intention to impose an excise on gold. Frankly they are dismayed at the imposition and the severity of it. Be that as it may, they have asked me to confirm with you that:-

1. The 5% Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the excise.
2. In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales shall be taken after the deduction of the excise.

I shall be grateful to have a reply as early as possible.

With my kindest regards,

Yours very Sincerely,

Kenneth R. Taylor Esq.

Draft

My dear

I am in receipt of your letter dated 22nd February 1940, and write to state that Government are agreeable to the following suggestions contained in your letter , in connection with the imposition of the Duty on Gold under contemplation:--

(1)The 5% Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the ~~excise~~ duty

(2)In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales shall be taken after the deduction of the duty.

Yours sincerely,

24.2.40

Kenneth B Taylor, Esq.,

Marikuppam P O,

Kolar Gold Field.

91

No. 692 dated 24.2.40 from the Dewan of Mysore to Mr. Kenneth B. Taylor.
Ramiliation.

24th February 1940.

I am in receipt of your letter dated 22nd February 1940, and write to state that Government are agreeable to the following suggestions contained in your letter, in connection with the imposition of the Duty on Gold under contemplation:-

(1) The 5 % Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales shall be taken after the deduction of the duty.

Kenneth B. Taylor, Esq.,
MARIKUPPAM. (P.O.)
(K.G.F.)

With my very kindest
regards

Yours sincerely

Kenneth R. Taylor

p. 71

Jesus, G.2 128-39-21

MARIKUPPAM P.O.
MYSORE STATE
S. INDIA.

Feb. 27 1940

Dear Dr Kin—

Very many thanks
for your letter of
Feb 24th which we
had yesterday after
noon. I received
a very letter of Feb 22nd
Tomorrow morning I
leave here on my way
back to my district —
I will go overland

P. 51

Letter dated 27th February 1940, from Mr.Kenneth B.Taylor of John Taylor & Sons, Marikuppam, to Sir Mirza Ismail, Dewan of Mysore.

Very many thanks for your letter of February 24th telling me that Government are agreeable to the two points mentioned in my letter of February 22nd. Tomorrow morning I leave here on my way back to England and so I bid you farewell. With my very kindest regards.

D.O Letter of 1.3.1940 from the Accountant General Madras to his HCo

Fort St. George,
Madras, March 1, 1940.

My dear Raghavacnar ,

Sir Mirza Ismail asked me the other day what name to give to your proposed duty on gold — whether to call it an excise duty or an excess profit duty and told me that you would be writing to me on the subject. Not having heard from you I thought that I might as well write to you about it.

In my opinion, it would not be appropriate to call the duty an excess profits duty because as I understood from Sir Mirza Ismail and yourself the duty is not dependent on the profits made. It is essentially of the nature of an excise duty and I think it would be as well to call it as such. If therefore you are already charging an excise duty on gold, you might perhaps call the proposed duty a special excise duty or additional excise duty or something of the sort. It is not necessary that an excise duty should be at a fixed rate per unit of quantity; sliding scales of excise duties are by no means unknown and there would therefore be nothing inherently inappropriate in an excise duty which is levied on the

basis of ~~xxxxx~~ the excess of current price over the price relating to some past date. You may inform Sir Mirza Ismail about this.

With kind regards,

Yours sincerely,

V.S. Iyer

15/4/40

A. N. Raghavachar, Esq., M.A.,
Financial Secretary to the Government of Mysore,
5 Main Road,
Chamrajpet,
Bangalore City.

P. 53

G. L. 128-39-8

Vasantha Mahal,

Mysore.

2nd March 1940.

C# 1143 / with file

CONFIDENTIAL

Copy of letter No. C. 1143 of 2.3.40 from the Private Secretary to His Highness the Maharaja to the Second Member of Council.

My dear Anantaraman,

In returning herewith your file No. ~~523~~ 573, dated the 24th February last, on the subject of the duty on gold, I think it may perhaps not be out of place to invite your attention to the fact that the South African Government, on whose precedent the legislation is based, would seem from the newspaper extract which I enclose to have changed their policy. I am afraid I am not altogether clear as to the nature of the tax which they have imposed in lieu of the duty.

Yours sincerely,

Ch. Vg

If Vg may be replaced by the mail

SNK.

3.3.40

3/3

DEFICIT BUDGET FOR S. AFRICA

Excess Profits Dutv Announced

Special Contribution by Diamond Industry

CAPETOWN, Feb. 28.

NEW taxation measures for South Africa were announced by the Finance Minister, Dr J. H. Hofmeyr, while presenting the War Budget today.

Although the position of income-tax and super-tax will not be altered, the 30 *per cent.* rebate for individuals and companies will be withdrawn.

The estimated revenue in 1940-41, on the existing basis of taxation, was £44,868,000, excluding amounts accruing to the State in respect of the price of gold in excess of 150 shillings *per* ounce. The estimated expenditure is £45,595,000.

Dealing with the proposed taxation, Dr Hofmeyr announced the creation of a War Expenses Account, and he estimated that £14 million would be required, of which £2¼ million was, at present, available.

Referring to taxation of gold mines, he announced the abandonment of the provision limiting gold mining companies' proceeds to 150 shillings *per* ounce. As a recompense, he proposed to impose on the gold mine industry a special contribution of £3½ million. The general object was particularly to benefit lowgrade mines and mines outside Witwatersrand area, and extend the life of the industry.

An Excess Profits Duty of 10sh. in the £ would be imposed, but it would not apply to gold or diamond mining industries.

Dr Hofmeyr proposed a further 2 sh. in the £ as a special contribution by the Diamond Industry.—*Reuter.*

G.F. 128-39-4

MESSRS. JOHN TAYLOR & SONS' COMMITTEE.

TELEGRAPHIC ADDRESS: RGAUM.

OORGAUM, SOUTH INDIA.

D.O. letter dated 2.3.40 from the Secretary, March. 2. 1940.

Dear Sir, Messrs. John Taylor & Sons' Committee representations to the Hon'ble Member of Council

Under cabled instructions from Messrs John Taylor and Sons, London, I beg to bring to your notice the provisions of the South Africa Budget proposals as reported in the "Hindu" of 29th February in special reference to the taxation of Gold Mines which in the opinion of the Managers present a strong case for the reconsideration by Government of the contemplated imposition of a Duty on Gold, preliminary notice of which was given to Mr.Kenneth B.Taylor shortly before leaving on his return to England.

I am requested respectfully to urge that Government may be pleased to defer a decision in this important matter pending the submission of the Managers' further views based on the proposals referred to which no doubt they will be communicating to you without delay.

This letter is being addressed to you, Sir, in the absence of the Dewan from Bangalore and in view of the urgency of the matter in question, and it will be highly esteemed if Government will give their early and favourable consideration to the request of the London Managers.

Yours faithfully,

W Lonsdale

Secretary

Acknowledged 4.3.40

Rajamantrapravina
N.Madhava Rau, Esq., B.A.,B.L.,
Member of Council,
Bangalore.

CB. The file is with the Hon'ble Member

p.68

A. N. RAGHAVACHAR, Esq., M. A.,
Financial Secretary to Government.

FINANCIAL SECRETARIAT,

Bangalore, 4th March 1940.

T

Messrs. JOHN TAYLOR & Sons,
LONDON.

This seems unnecessary
1/3/40

Gentlemen,

I am directed to state that the Government of Mysore have decided to levy, with effect from 22nd March 1940, a special duty on Gold, equal to three-fourths of the amount by which its sale price exceeds Rupees One Hundred per ounce. The Government of Mysore are agreeable to the following suggestions of Mr. Kenneth Taylor, as already intimated in Dewan's D.O. letter No. C. 4692, dated 24th February 1940:-

(1) The 5% Royalty payable on the nett sale proceeds of the Gold will be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional royalty," the value of the gold sales shall be taken after the deduction of the duty.

2. A copy of the Act proposed to be promulgated is herewith enclosed.

I have the honour to be,
Gentlemen,
Your most obedient servant,

5.3.40

Secretary to Government,
Financial Department.

A/1

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

Dated, Bangalore, 15th March 1940

No. 7e 5805

G.7. 12-8-39-5.

From

The *Financial Secretary to the Government of His Highness the Maharaja of Mysore.*

To

The Secretary,
Messrs. JOHN TAYLOR & Sons' Committee,
OORGAUM.

Sir,

DUTY ON GOLD.

With reference to your letter dated 2nd March 1940, addressed to the First Member of Council, I am directed to state that Government have given the question their best consideration but very much regret they are unable to defer a decision.

I am enclosing for reference two copies of the Act which has just been promulgated.

I have the honour to be,
Sir,
Your most obedient servant,

16.3.40

Secretary to Government,
Financial Department.

P 72

F 5805/Subs 2

16/3/40

F. 2. 188-39-S.

To

The Secretary,
Messrs. JOHN TAYLOR & Sons'
Committee,
OORGAUM.

Sir,

Duty on Gold.

With reference to your letter dated 2nd March 1940, addressed to the First Member of Council, I am directed to state that Government have given the question their best consideration but very much regret they are unable to defer a decision.

A copy of the letter addressed to Messrs. John Taylor & Sons, London, is enclosed.

I have, etc.,

5.3.40

Secretary to Government,
Financial Department.

p. 57

NOTIFICATION.

Order No. P. 6267—Legis. 53-39-1, dated Bangalore, the 16th March 1940.

Ordered that the accompanying Act to provide for the imposition and the payment of duty on gold which received the assent of His Highness the Maharaja, on the 29th day of February 1940, be published as Act No. XVII of 1940 in the *Mysore Gazette* for general information.

H. V. NARAYANA RAO,

Secretary to Government,
Law Department.

ACT No. XVII OF 1940.

THE MYSORE DUTY ON GOLD (EMERGENCY) ACT, 1940.

(An Act to provide for the imposition and the payment of duty on gold.)

(Received the assent of His Highness the Maharaja on the 29th day of February 1940.)

Whereas an emergency has arisen which makes it expedient to impose a duty on gold and to provide for the payment thereof;

Now therefore, in exercise of the powers conferred by section 12 of the Mysore Legislative Council Act, 1923, it is hereby enacted as follows:

1. (1) This Act may be called the Mysore Duty on Gold (Emergency) Act, 1940. (Short title and extent.)

(2) It extends to the whole of Mysore.

2. In this Act, unless there is anything repugnant in the subject or context— (Definitions.)

(a) "gold works" means any place where gold is extracted from ore;

(b) "owner of a gold works" includes his agents and persons in charge of the gold works; and

62

P. 58

(*c*) "prescribed" means prescribed by rules made under this Act.

Imposition and payment of duty on gold.

3. (*1*) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940, a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(*2*) The duty on every ounce of gold shall be three-fourths of the amount by which its sale price exceeds one hundred rupees.

Explanation.—For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

(*3*) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

Recovery of an arrear of duty.

4. (*1*) If any duty remains unpaid at the end of the period specified in sub-section (*3*) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof, recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(*2*) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (*1*) shall be recoverable as an arrear of land revenue.

Issue of gold from gold works.

5. (*1*) No person shall issue any gold out of the premises of any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special orders of the Government.

(*2*) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued in contravention of such rule or order, whichever is greater.

Power to make rules.

6. (*1*) The Government may make rules for carrying out the purposes of this Act.

(*2*) In particular and without prejudice to the generality of the powers conferred by sub-section (*1*) the rules may provide for all or any of the following matters, namely:—

(*a*) imposing on owners of gold works the duty of furnishing returns and keeping records and

books, prescribing the form of such returns, records and books and the particulars to be contained therein and the manner in which the same are to be verified and all such other conditions thereof as may be necessary ;

(*b*) providing for the regulation of the issue of gold out of the premises of gold works ;

(*c*) providing for the manner in which, the place at which and the authority to which the duty shall be payable and for the recovery of arrears ; and

(*d*) providing for the inspection of gold works.

(*3*) Such rules may provide that any breach thereof shall be punishable with fine which may extend to five hundred rupees.

Provided that the breach of any rule under clause (*b*) of sub-section (*2*) shall be punishable with the penalty prescribed in sub-section (*2*) of section 5.

MIRZA M. ISMAIL,

Dewan.

67

Printed by the Superintendent at the Government Press, Bangalore

P. 60

A. N. RAGHAVACHAR, Esq., M. A.,
Financial Secretary to Government.

F. 7. 128-39-9.

18th March 1940.

3892/Gen I

D.O Letter No Je 5892 dt 18.3.40 from the Jt Secy to the Private Secretary to His Highness the Maharaja of Mysore.

Dear Sir,

I am desired to acknowledge receipt of your D.O. No. C. 1143, dated 2nd March 1940, addressed to (Mr. K.V. Anantaraman) the Second Member of Council. The mining conditions in South Africa seem to differ from those in Mysore (vide extracts from the Mining Magazine for January 1940) and a reference was made to the measure adopted in South Africa and elsewhere only to indicate that it had been felt necessary and justifiable by Governments in gold producing countries to take to themselves the adventitious receipts arising out of the excessive price of this commodity. It was not our intention to copy in every detail the measures adopted by Governments elsewhere. The present decision (both re: the form of taxation and the amount) has been arrived at after due consideration. The following suggestions by Mr. Kenneth Taylor have also been agreed to:-

(1) The 5% Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales shall be taken after the deduction of the duty.

104

P. 61

A. N. RAGHAVACHAR, Esq., M. A.,
Financial Secretary to Government.

The form of taxation now proposed is intended to enable the Mining Companies to get relief from double income-tax (both here and in United Kingdom).

According to the present decision, we will get only about 47% of the excess over the standard price of Rs. 100 per ounce and the proposed levy is not expected to affect the mining industry or its growth in any way.

Yours sincerely,

ANR/1873/40

Sir Charles Todhunter, K.C.S.I.,
Private Secretary to His Highness
the Maharaja of Mysore,
MYSORE.

S-892/Part — 77

My dear Sir Charles,

I am in receipt of your D.O. No.C.1143, dated 2nd March 1940. The Mining conditions in South Africa seem to differ from those in Mysore (vide extracts from the Mining Magazine for January 1940) and the reference to the South African and other parts of the World was but to indicate that it has been felt necessary and justifiable in all parts of the World by all Governments to take away to themselves the adventitious receipts arising out of the excessive price of this commodity and It was not our intention to adopt protanto whatever all others may do elsewhere and accordingly Government arrived at their present decision (both re: the form of taxation and the amount) after mature consideration. The following suggestions by Mr. Kenneth Taylor have also been agreed to:-

(1) The 5% Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the (excise.)

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty," the value of the gold sales shall be taken after the deduction of the (excise)

The form of taxation now proposed is intended to enable the Mining Companies to get relief from Double Income-tax (both here and in United Kingdom).

According to the present decision, we will get only about 47% of the excess over the standard price of Rs. 100 per ounce and the proposed levy is not expected to affect the Mining Industry or its growth in any way.

Yours sincerely,

Sir Charles Todhunter, K.C.S.I.,
Private Secretary to H.H. the
Maharaja of Mysore, MYSORE.

S.f. 128-39-6

376.2
25 MAR. 1940
FINANCIAL BRANCH.

JOHN TAYLOR & SONS.
TELEGRAPHIC ADDRESSES,
INLAND TELEGRAMS:-
"ROLYAT, CANNON, LONDON."
CABLEGRAMS:-
"ROLYAT, LONDON."
TELEPHONE, CENTRAL 2426.
(4 LINES)
KENNETH BARING TAYLOR, M.Inst.M.M.
SYDNEY ENFIELD TAYLOR, M.Inst.M.M.
ARTHUR H. E. TAYLOR.

By air mail.

6, Queen Street Place,
London, E.C.4.

15th March 1940.

MAR 26 1940

Sir Mirza M. Ismail, K.C.I.E.,
Dewan of Mysore,
Bangalore.

Dear Sir,

We desire to refer to the proposal of His Highness's Government to impose an Excise Duty on gold based on the excess price realised over £7. 10. 0 per fine ounce.

The Directors of the Kolar Companies have taken the earliest opportunity to discuss this question with Mr. Kenneth Taylor on his return to England from his recent visit to Mysore.

Mr. Taylor having informed the Directors of the protest which he had verbally made to you, it was decided respectfully to convey to you the Boards' emphatic endorsement of Mr. Taylor's protest. In the opinion of the Directors the situation is already amply met by the operation of the ascending scale of profit participation reserved to His Highness's Government under the new Leases.

Nevertheless, and if His Highness's Government insist on their view that the enhanced price of gold justifies a further impost on the Companies, the Directors desire to record their strong protest against the method of special taxation which it is proposed to adopt. A more equitable principle and

p.63

one which would be in the better interests of the industry and thereby of the State, would be to make the levy on profits rather than on gold values, a view which has now been recognised by the Government of South Africa in their latest budget proposals.

This action by the South African Government was only notified after Mr. Kenneth Taylor had left Mysore for England and consequently we thought it well, pending his arrival, to instruct the Mines' Committee at Kolar to bring it to your notice, which we understand they have duly done.

We are, Dear Sir,

Yours faithfully,

John Taylor & Sons

h6a

C.7-128-39-7

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

Letter No. 76 104-7 C.7-128-39-7 1.4.1940

Dated, Bangalore, 1st April 1940x~~193~~

From

The *Financial Secretary to the Government of His Highness the Maharaja of Mysore*

To

Messrs. JOHN TAYLOR & Sons,
, Queen Street Place,
LONDON.

Sir,

With reference to your letter dated 15th March 1940, regarding the imposition of a Duty on Gold, addressed to the Dewan, I am directed to state that when the matter was first discussed with Mr. Kenneth B. Taylor, Government were considering a proposal to levy a tax equal to the entire excess over the sale price of Rs. 100 per ounce of gold. But in the light of the discussion with and representation made by Mr. Kenneth Taylor to the Dewan, the duty was fixed at 75 per cent of the excess over Rs. 100 per ounce. Subsequently, Mr. Kenneth B. Taylor suggested in his letter dated 22nd February 1940 that,

(1) The 5% Royalty payable on the nett sale proceeds of the gold be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty" the value of the gold sales be taken after the deduction of the duty.

The above requests, which had the effect of reducing the amount payable to the Government still further, were also conceded by Government, vide Dewan's D.O. letter No. C.H. 692, dated 24th February 1940 to Mr. Kenneth B. Taylor.

AR 1-4-40

P.T.O.

p. 65

I am to add that, as intimated to the Secretary, Messrs. John Taylor & Sons' Committee, Ooregaum, in this office letter No. Fl. 5805 dated 15th/16th March 1940, Government have given the question their best consideration and they think that their present decision is quite fair, considering all aspects of the question.

I am, in this connection, to state that the Government are anxious, with the co-operation of the Companies, to promote the development of the mines and any steps calculated to achieve this object will always, I am to assure you, receive their earnest and sympathetic consideration.

I have the honour to be,

Sir,

Your most obedient servant,

1.4.40

Secretary to Government,
Financial Department.

p. 69

To

Messrs. JOHN TAYLOR & SONS,
6, Queen Street Place,
LONDON.

Sir,

With reference to your letter dated 15th March 1940, regarding the imposition of a duty on Gold, addressed to the Dewan, I am directed to state that when the matter was first being discussed with Mr. Kenneth B. Taylor, Government had an idea of taxing a tax equal to the entire excess over the sale price of Rs.100 per ounce of gold. But in the light of the discussion with and representation made by Mr. Kenneth Taylor to the Dewan, the duty was fixed at 75 per cent of the excess over Rs.100 per ounce. Subsequently, Mr. Kenneth B. Taylor suggested in his letter dated 22nd February 1940 that,

(1) The 5% Royalty payable on the nett sale proceeds of the gold be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales be taken after the deduction of the duty.

The above requests, which had the effect of reducing the amount payable to the Government still further, were also conceded by Government (Vide Dewan's D.O. letter No.C.H.692, dated 24th February 1940 to Mr. Kenneth B. Taylor.

I am to add that, as intimated to the Secretary, Messrs. John Taylor & Sons' Committee, Ooregaum in this office letter

p. 70

letter No. Fl. 5805 dated 15th/16th March 1940, Government have given the question their best consideration and they think that their present decision is ~~not un~~quite fair considering all aspects of the question.

If, however, at any time, circumstances should ~~intervene~~ arise in the case of any individual mines which would affect too adversely its working results to the detriment of the industry, Government, who are equally alive to the development and continuance of the mining industry along with the working companies themselves, would not hesitate to review the situation and consider the feasibility of adopting such suitable measures as may be then found necessary to enable the affected mine to continue its working.

added as per suggestion of Director Geological Survey & Mines 27.3.40

I have, etc.,

27.3.40

Secretary to Government
Finance Department.

OK

I am, in this connection, to state that the Govt are anxious, with the co-operation of the Companies, to promote the development of the mines and any steps calculated to achieve this object will always receive their earnest and sympathetic consideration.

I am to assure you,

NOTIFICATION.

Order No. P. 6267—Legis. 53-39-1, dated Bangalore, the 16th March 1940.

Ordered that the accompanying Act to provide for the imposition and the payment of duty on gold which received the assent of His Highness the Maharaja, on the 29th day of February 1940, be published as Act No. XVII of 1940 in the *Mysore Gazette* for general information.

H. V. NARAYANA RAO,

Secretary to Government,
Law Department.

ACT No. XVII OF 1940.

THE MYSORE DUTY ON GOLD (EMERGENCY) ACT, 1940.

(An Act to provide for the imposition and the payment of duty on gold.)

(Received the assent of His Highness the Maharaja on the 29th day of February 1940.)

Whereas an emergency has arisen which makes it expedient to impose a duty on gold and to provide for the payment thereof;

Now therefore, in exercise of the powers conferred by section 12 of the Mysore Legislative Council Act, 1923, it is hereby enacted as follows:

Short title and extent.

1. (*1*) This Act may be called the Mysore Duty on Gold (Emergency) Act, 1940.

(*2*) It extends to the whole of Mysore.

Definitions.

2. In this Act, unless there is anything repugnant in the subject or context—

(*a*) "gold works" means any place where gold is extracted from ore;

(*b*) "owner of a gold works" includes his agents and persons in charge of the gold works; and

(*c*) " prescribed " means prescribed by rules made under this Act.

Imposition and payment of duty on gold.

3. (*1*) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940, a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(*2*) The duty on every ounce of gold shall be three-fourths of the amount by which its sale price exceeds one hundred rupees.

Explanation.—For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

(*3*) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

Recovery of an arear of duty.

4. (*1*) If any duty remains unpaid at the end of the period specified in sub-section (*3*) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof, recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(*2*) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (*1*) shall be recoverable as an arrear of land revenue.

Issue of gold from gold works.

5. (*1*) No person shall issue any gold out of the premises of any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special orders of the Government.

(*2*) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued in contravention of such rule or order, whichever is greater.

Power to make rules.

6. (*1*) The Government may make rules for carrying out the purposes of this Act.

(*2*) In particular and without prejudice to the generality of the powers conferred by sub-section (*1*) the rules may provide for all or any of the following matters, namely:—

(*a*) imposing on owners of gold works the duty of furnishing returns and keeping records and

books, prescribing the form of such returns, records and books and the particulars to be contained therein and the manner in which the same are to be verified and all such other conditions thereof as may be necessary;

(*b*) providing for the regulation of the issue of gold out of the premises of gold works;

(*c*) providing for the manner in which, the place at which and the authority to which the duty shall be payable and for the recovery of arrears; and

(*d*) providing for the inspection of gold works.

(*3*) Such rules may provide that any breach thereof shall be punishable with fine which may extend to five hundred rupees.

Provided that the breach of any rule under clause (*b*) of sub-section (*2*) shall be punishable with the penalty prescribed in sub-section (*2*) of section 5.

MIRZA M. ISMAIL,

Dewan.

Printed by the Superintendent at the Government Press, Bangalore

An Act to provide for the levy of excise duty on gold

General and Revenue Secretariat | File No. | of 193 | [App. F. III–2

Serial No.	
	A tentative draft of an ordinance for levy of excise duty on gold is submitted. It needs some revision. This will be done if the principles are approved.
	1st Member. Gl. 2/4/39.
	2.9.39

NOTE—Contn. Sheet.

Duty on Gold.

General and Revenue Secretariat. File No. of 19 [App. F. III-2

Serial No.

Orders of His Highness were obtained recently for the imposition of a special duty on Gold, from 22nd March 1940, equal to the excess over the price of Rs 100 per ounce of Gold realised by the Mining Companies. On the representation of Mr. Kenneth Taylor, the Dewan was pleased to order that the duty might be fixed at seventy five per cent of the excess, instead of the entire excess. Modified proposals have this day been submitted to His Highness. The papers could not be submitted to the Second Member, as the matter was urgent and had to be settled before the Dewan's departure to Madras.

Submitted for information.

Second Member

7069
26.2.40

24.2.40

27.2

28.2.40

NOTE-Contd. Sheet.

Serial No.

EXCISE DUTY ON GOLD.

Mr. Kenneth Taylor met the Dewan at 6 P.M. on 12th February 1940 and represented that the proposed levy of Excise Duty on Gold would affect the profits and working of the Mining Companies and would also affect the interests of the share-holders, as the dividends may fall and the market price of shares may go down. He also said that there would not be sufficient resources for meeting development expenditure and for possible increase in the working costs.

From the reports of the Mining Companies for the year 1938, it is seen that the average price of Gold realised by the Mining Companies during the year 1938 was about 142 sh. per ounce and the Companies were able to pay handsome rates of dividend to the share-holders.

According to the modified proposal of the Mysore Government, in the light of the representation of Mr. Kenneth Taylor, the rate of Excise duty will be three-fourths of the price realised in excess of the basic rate of 150 sh. (Rs. 100) per ounce.

But for the levy of the Excise duty, the extra income on account of the increase in the price of Gold will be subject to Mysore Income-tax (at 3/16 ths of the income) and if this is taken into account, the actual extra amount payable to the Government of Mysore on the extra profits will

WD 2087—GPS—500—25-5-31

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS

THE MAHARAJA OF MYSORE

O R D E R No.P.6267/Legis 53-39-1

Dated Bangalore the 16th March 1940.

Ordered that the accompanying Act to provide for the imposition and the payment of duty on gold which received the assent of His Highness the Maharaja, on the 29th day of February 1940 be published as Act No.XVII of 1940 in the Mysore Gazette for general information.

H.V. Narayanarao

Secretary to Government
Law Department.

To

The Compiler, Mysore Gazette for publication in Part IV of the Gazette as a Gazette Extraordinary today. Spare copies may be supplied as per Standing Orders.

cn.4

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS

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To

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cn.4

9/2

G. R. S. VI.—s-III/14]

DRAFT.

SUBJECT.....

.....

.....

Section. Legis
File No. 53-39
Serial No. 1

Proceedings of the Government of H. H. the Maharaja of Mysore.

Diary No. of letter replied to.....

GENERAL AND REVENUE SECRETARIAT,

( )

the.....*191*

Order No. P 6267

Ordered that the accompanying.....Act to provide for the imposition and the payment of duty on gold.....

which received the assent of His Highness the Maharaja, on the.....29th.....

day of.....February..... 1940

be published as ~~Regulation~~ Act No.....XVII.....

of 1940, in the *Mysore Gazette* for general information.

Hm 2
16/3/1
Secretary to Government.

JMW 16/3 Law dept

Date of issue.....

Signed by.....

May this be—

(i) Printed? 93

(ii) Treated as a standing order?

(iii) Published in the "Gazette" English part?

(iv) Translated?

(v) Placed at the disposal of the Press?

(vi) Published in the "Gazette" Kannada part?

To

The Compiler, *Mysore Gazette*, for publication in Part IV of the Gazette, in English and Kannada and for supply of .....spare copies in English, and .....spare copies in Kannada to this office, and.....spare copies in English and.....spare copies in Kannada to the Curator, Government Central Book Depot, Bangalore. Proofs should be sent to this office for approval before publication.

as a Gazette — and 200 spare copies for standing order.

Copy to Law Secretariat

ACT No. XVII OF 1940

THE MYSORE DUTY ON GOLD (EMERGENCY) ACT, 1940.

(An Act to provide for the imposition and the payment of duty on gold.

(Received the assent of His Highness the Maharaja on the 29th day of February 1940).

Whereas an emergency has arisen which makes it expedient to impose a duty on gold and to provide for the payment thereof;

Now therefore, in exercise of the powers conferred by section 12 of the Mysore Legislative Council Act, 1923, it is hereby enacted as follows:—

1. (1) This Act may be called the Mysore Duty on Gold (Emergency) Act, 1940.

(2) It extends to the whole of Mysore.

2. In this Act, unless there is anything repugnant in the subject or context,—

(a) "gold works" means any place where gold is extracted from ore;

(b) "owner of a gold works" includes his agents and persons in charge of the gold works; and

(c) "prescribed" means prescribed by rules made under this Act.

3. (1) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940, a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(2) The duty on every ounce of gold shall be three-fourths of the amount by which its sale price exceeds one hundred rupees.

Explanation.—For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

94

(3) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

4. (1) If any duty remains unpaid at the end of the period specified in sub-section (3) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof, recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(2) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (1) shall be recoverable as an arrear of land revenue.

5. (1) No person shall issue any gold out of the premises of any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special orders of the Government.

(2) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued in contravention of such rule or order whichever is greater.

6. (1) The Government may make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1), the rules may provide for all or any of the following matters, namely:—

(*a*) imposing on owners of gold works the duty of furnishing returns and keeping records and books, prescribing the form of such returns, records and books and the particulars to be contained therein and the manner in which the same are to be verified and all such other conditions thereof as may be necessary;

(*b*) providing for the regulation of the issue of gold out of the premises of gold work;

(*c*) providing for the manner in which, the place at which and the authority to which the duty shall be payable and for the recovery of arrears; and

(*d*) providing for the inspection of gold works.

(3) Such rules may provide that any breach thereof shall be punishable with fine which may extend to five hundred rupees:

Provided that the breach of any rule under clause (*b*) of sub-section (2) shall be punishable with the penalty prescribed in sub-section (2) of section 5.

(Sd.) MIRZA M. ISMAIL,
Dewan.

Legis

File No ~~C.F.~~ 53 of 1939.

SUBJECT.

BILL TO LEVY AN EXCISE DUTY ON GOLD PRODUCED IN THE STATE.

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Legis

File No. ~~G.F.~~ 53 of 1939.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

PROCEEDINGS OF THE GENERAL AND REVENUE DEPARTMENTS.

(General Finance).

'A"—Collection Serial No. 1.

Subject:—**BILL TO LEVY AN EXCISE DUTY ON GOLD PRODUCED IN THE STATE.**

G.F. 138-39-1.

I heard on the radio yesterday night that the South African Government had decreed in the case of South African Gold Mines that any price realised by the Gold Mining Companies there in excess of 150 sh. per ounce should be surrendered to Government as revenue and that this had retrospective effect. Our Gold is also a disappearing asset, and in view of the rising price, it may be considered whether our Government would not be justified in asking for a surrender of the price in excess of the basic maximum obtaining before the recent rise as the result of the depreciation of sterling against dollar and other monetary factors.

If necessary, information has to be obtained by cable from England in regard to the details connected therewith. The Gold Mining Companies are making adequate dividends and I do not see why they should not give to Government profits in excess of that which they ought to realise by working a mineral which will pass out of our control once for all, having been taken away.

First Member,
Dewan.

A. N. RAGHAVACHAR,
1-9-1939.

The price of gold during the past two or three weeks may be noted.

As to the system of taxing gold and gold profits in South Africa, Mr. K. Doraswami Iyer may be asked to send us any literature that he might have collected when he was deputed there.

I believe in 1931 also, the South African Government imposed a special tax on gold. The Financial Journals of that period might give us some information on the subject.

N. MADHAVA RAO,
1-9-1939.

Action will be taken as per First Member's minute after perusal.

Dewan.

A. N. RAGHAVACHAR,
1-9-1939.

MIRZA M. ISMAIL,
1-9-1939.

Reference Para 3—Kindly see Statement subjoined

Please see Times of India dated 18th August 1939 for comparative prices of gold.

16—8—1938	16—2—1939	16—7—1939	16—8—1939	23—8—1939	26—8—1939	28—8—1939	31—8—1939
Rs. a. p.	Rs. a. p	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
36 1 6	37 0 3	37 1 9	37 1 3	37 2 3	38 2 0	38 4 0	38 8 0 (*Nominal*).

Draft subd. on the latter part of the Member's minutes above.

Took instructions from the First Member. Necessary information of all that is available has been called for from the Chief Inspector of Mines by telephone. As discussed with the Member, it may be of advantage to draft an Ordinance and get His Highness' approval for treating this levy as an Excise Duty on Gold. The Law Secretary has noted the details and is preparing the Ordinance. I am searching also for the available literature and as soon as I get it a further note will be put up for consideration.

I have suggested to the Law Secretary that the calculation may be made at the rate of £ 7-10-0 per fine Oz. of Gold converted into Rupee equivalent at 1 Sh. 6 d. for fixing the basic level above which the difference in price should be recovered as Excise Duty by Government.

First Member,
Dewan.

A. N. RAGHAVACHAR,
2-9-1939.

N. MADHAVA RAO,
2-9-1939

MIRZA M. ISMAIL,
2-9-1939

Since my note was written, the papers were further gone into in consultation with the Member. I notice that in the Deed of Variation, clause 3 runs as follows :—

" The Lessors hereby covenant with the Lessees that during the residue of the term granted by the existing Lease the Lessors shall not in exercise of their Governmental or other powers levy or impose any special taxation on Kolar Gold. "

The original Deed of Lease (of 1910) does not contain any prohibition against levy of taxation, but it contains a clause (No. 6) indicating what taxes shall be levied on the land and the buildings, etc. In fact, if no tax was leviable at all on production under the old lease, the Company would not have paid income-tax. The net result of both the points is that till 22nd March 1940, we are precluded from levying any special tax on gold, when alone the question of levying Excise Duty has to be considered. Clause 3 of the Deed of Variation clearly goes to show that we do possess inherent powers of levying such duty and could have done so but for the existence of that clause. If the present condition of the high price of Gold should continue,—and I do not see how it will cease to do so when the British Empire itself is grappling the new situation and the dollar also is appreciating to positions which we would never have thought possible, —our loss would be confined only to a period of 7 months more.

The draft Ordinance which is put up herewith will have to be considered somewhere about December 1939. In the meantime, I beg to suggest for consideration the desirability of obtaining immediately His Highness' orders to give effect to the Amendment of Income-tax Act *from 1st July 1939*, giving retrospective effect by supplemental assessment. (I have since as certained from Mr. A. V. Krishnamurthy that we will get not less than one lakh) pending its being passed by the two Houses. This would increase our receipts under Income-tax to some appreciable extent. ( )

First Member,
Dewan,
through,
Law Secretary.

A. N. RAGHAVACHAR,
4-9-1939

C. SUBRAHMANYA IYER,
4-9-1939.

The matter may be considered at the next meeting of the Council.

N. MADHAVA RAO,
5-9-1939

Chief Secretary with compliments
with the Income-tax file.

MIRZA M. ISMAIL,
5-9-1939.

A. N. RAGHAVACHAR,
6-9-1939.

COUNCIL MATTER.

(SUBJECT).

(1) Question of giving effect to the proposal (already approved) to raise the rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs. 75,000 and above from 18 pies to 24 pies in the rupee *retrospectively from 1st July 1939*, pending the bill being passed by the Representative Assembly and Legislative Council.

(2) Proposal to levy an Excise Duty on gold produced in the State.

Circulated to the Members of Council.

By Order,
B. T. KESAVA IYENGAR.
Chief Secretary to Government
7th September, 1939.

First Member of Council. N. MADHAVA RAO
8-9-1939.

Second Member of Council. K. V. ANANTHARAMAN,
8-9-1939.

Extract from the proceedings of the 979th Meeting of the Council of His Highness the Maharaja, held at Bangalore on the 14th September 1939.

Subject.—

(i) Question of giving effect to the proposal (already approved) to raise the rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs. 75,000 and above from 18 pies to 24 pies in the rupee, respectively, from 1st July 1939, pending the bill being passed by the Representative Assembly and Legislative Council.

(ii) Proposal to levy an Excise Duty on gold produced in the State.

Opinion of the Council.

(i) The rate of income-tax in respect of Companies and registered firms and of individuals getting an income of Rs. 75,000 and above may be raised from 18 pies to 24 pies from 1st July 1940. Necessary legislative action may be taken.

(ii) The question of an Excise Duty may be considered in December 1939.

MIRZA M. ISMAIL,
Dewan of Mysore.

Financial Secretary with compliments. B. T. KESAVA IYENGAR,
15-9-1939.

A. N. RAGHAVACHAR,
15-9-1939.

Regarding Council Resolution dated 14th September 1939.

Regarding para (1), the proposal has already been approved by His Highness in the linked file, and a draft statement of general principles of the Bill is also prepared. The question was put up to Council for consideration of the proposal to give effect to the enhanced rates of Income-Tax retrospectively from 1st July 1939. Now that it is decided not to press for retrospective effect, but to bring it into force from 1st July 1940, the case seems to be ready for further action in the Legislative Department to place it before the R.A. and L.C. The linked file may be passed on to the Law Secretary.

Regarding para (2), the matter will be put up for orders in December 1939 as ordered.

Financial Secretary. C. G. RAMIAH,
19-9-1939.

Yes.

A. N. RAGHAVACHAR,
15-9-1939.

The price of gold still continues to be £ 8-8-0 per fine oz. and it is for consideration whether the proposal may be taken for active initiation now. Our gold as a material asset is a vanishing one with the working out of the ore deposit in our territory, and when the Mining Co. is making a profit in the relatively depreciated currency under general world conditions, I think we are entitled to get our share under the suggestion already made. The date of expiry of the contract is 22nd March 1940. Whether an ordinance should be prepared for the current year and subsequently formal legislation placed on record later in June Session is also for consideration. For Orders.

First Member,
Dewan.

A. N. RAGHAVACHAR,
6-12-1939.

Seeing that the Mysore Companies sell their gold in Bombay, would it not be better to fix the rate of duty with reference to rupee prices also? I shall be glad if the Financial Secretary will examine and let me know if the recent rupee prices correspond exactly to the sterling price (which has been stationary for some time past) in the London market.

N. MADHAVA RAO,
7-12-1939.

The accompanying statement shows (1) the value realised (in rupees) by the Mining Companies by the sale of Gold in India, (2) T.T. rates on the dates of realisation, (3) the rate per ounce in sterling, according to the T.T. rates and (4) the actual rate in London as per newspapers. It will be seen from this statement that while the price of Gold in London has been stationary (£ 8-8-0) since September 1939, the price in India has slightly increased (from Rs. 107 during September 1939 to about Rs. 112 at present).

In my note dated 2nd September 1939, I had suggested that the basic rate of Gold might be taken at £ 7-10-0 per fine ounce of gold. The rupee equivalent of it at 1s. 6d. per rupee will be Rs. 100 per ounce of fine gold. The basic rate may be fixed at Rs. 100 per ounce of gold, and excise duty may be levied on the value realised in excess of the above basic rate. From the enclosed letter received by me from the Chief Inspector of Mines, it will be seen that the Australian Commonwealth Government have levied from 15th September 1939 an Excise Duty on Gold, the duty being fixed at *one half of the amount* by which the amount payable by the bank in respect of the gold produced and delivered exceeds an amount calculated at the rate of £ 9 for each ounce of fine gold contained in the gold so produced (£ 1 sterling—British Currency—is equal to 1·25 pounds Australian). Whether we may not also limit the Excise Duty on only *half the amount in excess of the basic rate* of Rs. 100 per ounce of fine gold is for consideration. Even at this rate, we may realise a revenue of about Rs. 18 lakhs per annum counting upon a production of about three lakhs ounces per annum (taking the selling price at Rs. 112 per ounce) and Rs. 15 lakhs (taking at Rs. 110 per ounce).

First Member,
Dewan.

A. N. RAGHAVACHAR,
21-12-1939.

N. MADHAVA RAO,
23-12-1939.

A. N. RAGHAVACHAR,
25-12-1939.

Will the Financial Secretary kindly show these papers to Sir M. N. Krishna Rao and obtain his opinion on the proposal?

The question may be discussed at a Council Meeting after my return from tour.

MIRZA M. ISMAIL,
26-12-1939.

As minuted by the Dewan, I have shown these papers to Sir M. N. Krishna Rao and discussed the matter with him. He first began by asking whether even under the contract providing for no taxation being levied up to a certain date, we could not give retrospective effect to the levy. I mentioned that this was a matter of legal interpretation and had to be settled in consultation with the Law Department. He, however, opined that even if we want to give

some consideration during the period covered by the existing lease (till 22nd March 1940), it should take the form of a reduced rate of the duty in the profit rather than our foregoing the entire profit.

As regards the conditions obtaining in Australia and elsewhere in the world, he mentioned that the property in the mines in those countries was more or less private, whereas in Mysore, though the mine is worked by the Companies, the property belongs to Government and if there was any justification at all, it was for allowing the companies only a small share of such extraordinary wind-falls which are in no way connected with their normal operations but which are obtained due to extraordinary factors for which the Companies were in no way responsible. Further the shareholders of our Mining Companies, who receive dividends, are mostly resident outside Mysore and the moneys drawn will be a permanent withdrawal of assets from the country, and our Government is certainly entitled to a higher share than half. He said that the share to the share-holders should be limited only to what is not likely to give more than 10 or 12 per cent in the shape of an extra dividend. It may be equally argued, that in view of the dividends being participated with Government, Government benefits from such dividends, but it has to be stated that the rate of £7 10 s. or Rs. 100 per ounce, upon which the excess profit is based is itself high and the value of the high price of gold is fixed in terms of the currency, which has been depreciated under conditions over which we have no control. There is therefore the greatest justification for insisting upon the major part of the excess profit being surrendered to Government qua-Government. Sir M. N. Krishna Rao therefore feels that the demand for half the profits in the shape of Excise Duty is erring too much on the side of a generous gesture to the Company. He also mentioned that we should not be bound by what other countries do or have done in this matter.

Whether the amount of duty should be fixed at the whole or only half of the rate in excess of the basic rate of £7 10 s. or Rs. 100 is for consideration. There is also the question of the rate for electrical power and our idea is to get a larger amount from this source. Whether the legislation to be enacted may not be for a temporary period, say for the next two or three years, in order that we may review the position and alter the rates, is also for consideration.

First Member — A. N. RAGHAVACHAR, 4-1-1940.

I agree in the view expressed by Sir M. N. Krishna Rao that the rate of duty should be the entire excess over the basic price. The draft ordinance provides for this.

Clause 3 of the Agreement and Deed and Variation lays down that "during the residue of the term granted by the existing lease the lessors shall not in exercise of *their Governmental or other powers* levy or impose any special taxation on Kolar Gold." In the face of this very clear condition of the lease, it does not seem possible to levy the tax with retrospective effect, *i.e.*, from a date earlier than 22nd March 1940. It may, however, be explicitly provided in the draft that the duty is leviable on all gold awaiting sale on that date as well as gold issued thereafter for sale.

Financial Secretary } To speak.
Law Secretary } — N. MADHAVA RAO, 12-1-1940.

The draft has been revised so as to provide for levy of duty on all gold raised prior to 22nd March 1940, but sold thereafter.

Financial Secretary. — C. SUBRAHMANYA IYER, 9-2-1940.
First Member. — A. N. RAGHAVACHAR, 9-2-1940.
Second Member. — N. MADHAVA RAO, 9-2-1940.
Dewan. — K. V. ANANTHARAMAN, 9-2-1940.

Submitted with a Draft Submission Note.

Dewan. — C. SUBRAHMANYA IYER, 9-2-1940.

Submitted to His Highness.

These papers relate to a proposal to levy an excise duty on gold produced in the State.

Since September last, the price of gold has been rising. It is considered that Government would be justified in claiming from gold producers an amount of the price realised in excess of the basic minimum obtaining before the recent rise, as a result of depreciation of sterling against dollar and other monetary factors.

To secure this, it is proposed to levy an excise duty on all gold produced in the State at the rate of the excess nett amount realised by the sale of every ounce of gold after deducting the prescribed charges, over Rs. 100 for each ounce. Such a duty on gold has been imposed by the South African and Australian Governments.

In the agreement executed with the Mining Companies on the 25th March 1935, there is a covenant that during the residue of the term granted by the existing lease which expires on the 22nd March 1940, the Lessors shall not, in exercise of their Governmental and other powers, levy or impose any special taxation on Kolar Gold. Consequently it is proposed to impose this excise duty on the date of expiry of the term of the existing lease, *i.e.*, the 22nd March 1940.

A draft Bill of the legislative measure that will be required to enable Government to impose this excise duty has been framed and it is proposed to issue this as an Emergent Act under section 12 of the Legislative Council Act. Gracious permission of His Highness may be granted to the proposal and to the legislative measure.

Bangalore
9th February 1940.

MIRZA M. ISMAIL,
Dewan.

Order,
KRISHNA RAJA WADIAR,
12-2-1940.

Chief Secretary.

MIRZA M. ISMAIL,
15-2-1940.

Subject.—Bill to levy an excise duty on gold produced in the State.

Circulated to Members of Council for perusal of His Highness' orders before issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

B. T. KESAVA IYENGAR,
Chief Secretary to Government.

Through the Secretary to Government, Financial Department.

A. N. RAGHAVACHAR,
15-2-1940.

First Member of Council.

Some modifications have been since suggested. These may be incorporated in the bill.

N. MADHAVA RAO,
15-2-1940.

Second Member of Council.

K. V. ANANTHARAMAN,
16-2-1940.

Financial Secretary with compliments.

B. T. KESAVA IYENGAR,
16-2-1940

Letter dated 11th February 1940, from Mr. Kenneth B. Taylor to Sir Mirza Ismail, Dewan of Mysore, Bangalore.

Excise Duty on Gold.

This letter was given to me by the Dewan.

Mr. Kenneth Taylor met the Dewan at 6 P.M. on 12th February 1940 (when the First Member and myself were present) and represented that the proposed levy of Excise duty on Gold was not desirable on the following grounds :—

(1) It involves a discriminative taxation against Gold only ;

(2) Though such a discrimination was necessary in South Africa and Australia, there seems to be no necessity for such a taxation in Mysore ;

(3) The proposed taxation would not leave adequate financial margin in the hands of the Companies to meet the possible increase in working expenses, and development expenditure, and may also affect the dividend payable to the shareholders resulting in the fall in the price of shares ;

(4) The financial position of the Oorgaum Mine is particularly bad and the proposed Excise duty will affect its working to a considerable extent.

With regard to (1) and (2), it is to be stated that Gold is not a mere commodity but is interlinked with the ultimate basis of world currency and relative values of such currencies as are convertible to each other, and taxation of Gold only is justifiable in all countries under present managed money conditions. It cannot be stated that Mysore State is not in any way affected by the European War. We have also to meet heavy extra expenditure on account of increase in the prices of materials (both for Capital and Revenue purposes) contribution to the War Relief Fund, etc.. and we have also to meet heavy expenditure for the improvement and restoration of tanks to protect the State against famine.

According to the note submitted to His Highness, the rate of Excise duty will be the entire excess revenue over the basic price of 150 sh. per ounce. In the light of the representation of Mr. Kenneth Taylor, the Dewan was pleased to mention that the rate may be only seventy-five per cent of the excess (and not the whole of the excess price). Even if Excise duty had not been levied by us, the extra income on account of the increase in the price of Gold would have been subjected to Mysore Government Income-tax (3/16th of the income) and if this is taken into account, the actual extra] amount payable to the Mysore Government will be only sixty per cent (*Vide* statement A).

The Government of Mysore agreed to the non-levy of a special tax on Gold up to 22nd March 1940, in view of the additional supplementary royalty on Gold paid by the Mining Companies even for the period covered by the original lease (the total amount of which will be about Rs. 50 lakhs for the entire period 1934 to 1939). The Companies cannot reasonably expect Government to continue the concession for the period of the new lease.

Though the period of the new lease extends up to 1970, it is very doubtful whether the present production can be expected to continue for all the thirty years from now and whether the present abnormal price of Gold will continue during this period. It is therefore very necessary and desirable for us to get as much revenue as possible in the shape of taxation and other ways, at a time when the Companies are making larger profits on account of mere increase in the price of Gold, which is but an accident and for which they are in no way either directly or indirectly responsible, and due to War and currency conditions, both of which are temporary expedients. The basic rate has been fixed at the sufficiently high figure of 150 shillings, and it is proposed to take only three-fourths (or rather really only 60 per cent) of the excess.

I submit herewith a statement showing the increased revenue which the Mines will realise on account of the increase in the price of Gold, over the level of the year 1938, even after meeting the proposed excise duty on gold and possible increase in the power charges and extra amount of supplementary royalty payable for the period of the new lease, taking production on the basis of the 1938 level. From this statement, it will be seen that the Companies will still have substantial surplus to cover possible increase in working costs and development expenditure and the proposed Excise duty will not in any way retard the growth or working of the industry.

Even the Ooregum Mine is not expected to sustain any loss on this account, but on the other hand it will also have additional cash resources.

The Excise duty is treated as working expenses and is deducted from the total income for the levy of Income-tax both here and in the United Kingdom, and if the Excise duty is not levied on the extra income, the Companies have to pay to the United Kingdom Government Income-tax at as high a rate as 7 sh. 6 d. per £, and also excess profits tax.

For the above reasons, I think that we may adhere to the seventy-five per cent alone and there is no need to show any special consideration for the Ooregum Mine.

A draft note proposed to be sent to Mr. Kenneth Taylor (if necessary) is also put up for consideration.

First Member, }
DEWAN. }

A. N. RAGHAVACHAR,
16-2-40

N. MADHAVA RAO,
17-2-40.

I agree. Government will be perfectly within their rights in levying a duty of 75 per cent as proposed, seeing that the Mining Companies are making enormous profits. A letter may be drafted to Mr. K. Taylor communicating Government's decision to him after obtaining His Highness's approval.

Has not the file come back from the palace ?

An ordinance has also to be drafted levying the duty with effect from March' 22.

MIRZA M. ISMAIL,
18-2-40.

N. MADHAVA RAO,
21-2-40.

REFERENCE :—*First Member's minute dated 15th February 1940.*

" Some modifications have been since suggested. These may be incorporated in the Bill. "

The following modifications have been made in the Bill :—

Section 3 (*2*).—First sub-para requiring the levy of Excise Duty on Gold produced and issued out of the premises of the works previously to 22nd March 1940 but which has not been sold previously to 22nd March 1940, has been deleted.

Section 3 (*2*), *Second sub-para.*—The words " Three-fourths of" have been added before " the " in line 2, as in the light of the discussion with Mr. Kenneth Taylor, the Dewan was pleased to say that the duty might be fixed at seventy-five per cent instead of the entire excess over the basic level of Rs. 100 per ounce.

Mr. Kenneth Taylor saw me yesterday and said that the imposition of the Excise Duty was not justifiable and in the end appeared to prefer the duty being fixed at 50 per cent instead of 75 per cent. He asked me from which date the Duty would be levied. I said that it would not be levied before 22nd March 1940, as the Mysore Government wanted to respect the specific provision in the agreement. I also told him that there is pressing need for the Mysore Government also to find large funds under present economic and political conditions, and on the basis of the 1938 level, sufficient margin would be available for the companies even after the imposition of the Excise Duty. For reasons detailed in my note separately submitted, the seventy-five per cent now fixed may, I think, stand and need not be further reduced.

The Dewan was pleased to say that the nomenclature of the Duty need not be " Excise Duty ". I considered the matter and also discussed the question with the First Member. The term " Excise Duty " seems to be appropriate as the duty is based on production and will also enable the Companies to have the benefit of Income-tax exemption both here and, I believe, in the United Kingdom also. If the word " Excise " has necessarily to be avoided, the Duty may be termed

"Special duty on Gold production," (whether this nomenclature will enable the Mining Companies to have the benefit of Income-tax exemption in the United Kingdom has also to be examined in the Law Department), but I think that there may be no harm in retaining the term "Excise Duty."

Draft submission Note is also put up in accordance with orders since received. After issue, a draft ordinance will be got prepared in consultation with the Law Department.

First Member
DEWAN.

A. N. RAGHAVACHAR,
21-2-40.

The First Member was pleased to instruct that pending scrutiny of the bill, the papers may be submitted to His Highness with D.S.N.

Dewan.

A. N. RAGHAVACHAR,
22-2-40.

Submitted to His Highness.

I beg to invite kind reference to my Submission Note dated 9th February, 1940, regarding the levy, from 22nd March, 1940, of Duty on Gold produced in the State, at the rate of the excess net amount realised by the sale of every ounce of gold, over Rs. 100 for each ounce, and the orders of His Highness approving of the same.

Mr. Kenneth Taylor of Messrs. John Taylor & Sons, met me on the 12th February, 1940, and represented that the proposed levy of a Duty on Gold would affect the profits and working of the Mining Companies and would also affect the interests of the share-holders, as the dividends may fall and the market price of shares may go down and as there would not be sufficient resources for meeting development expenditure and for possible increase in the working costs. The question was further examined and it is proposed to fix the amount of Duty at 75 per cent of the excess over Rs. 100 for each ounce, instead of taking away the entire excess as previously proposed, in the light of the representation made. The appended statement shows roughly the surplus which would be available to the Companies on the basis of the production in the year 1938 even after the levy of Duty at 75 per cent of the excess over the price of Rs. 100 for each ounce of Gold. I think that we will be perfectly within our rights in levying a duty of 75 per cent as proposed, seeing that the Mining Companies are making enormous profits and even after this levy, sufficient cash resources will be available for the Companies to meet development expenditure and possible increase in working costs.

I therefore respectfully solicit the gracious sanction of His Highness to the above modified proposal.

MIRZA M. ISMAIL,
Dewan,
22-2-40.

Order.
KRISHNA RAJA WADIAR,
29-2-40.

Subject.—Modified proposal regarding the levy of Duty on Gold produced in the State.

Circulated to Members of Council for perusal of His Highness' orders before issue of orders. (*Vide* * Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

B. T. KESAVA IYENGAR,
Chief Secretary to Government.

The Secretary to Government,
Financial Department.

A. N. RAGHAVACHAR,
4-3-40.

First Member of Council (on deputation).
Second Member of Council (Seen).

Letter dated 22nd February 1940 from Mr. Kenneth Taylor, Marikuppam, to the Dewan of Mysore regarding the proposed Excise Duty on Gold.

The Company desire that,

(1) The 5 per cent Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the Excise.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional royalty," the value of the gold sales shall be taken after the deduction of the Excise."

I submit herewith a statement showing the revenue to be foregone by us, if we accept the above proposals. The Basic Royalty is 5 per cent and the supplementary Royalty on adjusted profits works up to an average of 15 per cent (based on the rates of dividends declared for the year 1938), and the net amount of Excise Duty will be only about 55 per cent. Taking into account the extra income-tax which we would have realised on the additional revenue, but for the levy of the duty, (three-sixteenths), the additional revenue by the levy of excise duty will be about 47 per cent of the total additional revenue which the Company would realise by the increase in the price of Gold beyond Rs. 100 per ounce of Gold (150 shillings).

As the Duty is based on the sale proceeds, it is reasonable to hold that the net sale proceeds (after deducting duty) should be taken into account, for the purpose of calculating basic Royalty. On the other hand, if the duty is treated as a tax, it has to be deducted only from the gross sale proceeds (and not net sale proceeds less duty). As regards adjusted profits, this tax has to be treated as working expenses, and in this view, it has to be ignored for the purpose of working out the "adjusted profits." The income under the latter is nearly three times the income under basic Royalty, and there is every possibility of its increase, if higher rates of dividends are declared by the Companies.

Originally, we wanted to take away the entire excess, and in the light of the representation of Mr. Kenneth Taylor, we reduced our share to only 75 per cent of the excess. This really means that, if these proposals, which represent roughly a surrender of about Rs. 5½ lakhs, are accepted, instead of getting about Rs. 14 lakhs based on 1938 level, without Duty on Gold,—both on account of enhanced dividend and Royalty and Income-tax, we get about Rs. 32 lakhs, representing only a net improvement of Rs. 18 lakhs from all sources after the levy of the Duty.

A. N. RAGHAVACHAR,
24-2-40.

First Member,
Dewan.

N. MADHAVA RAO,
24-2-40

The First Member has agreed and as directed by the Dewan, a draft reply is put up for consideration and approval.

Dewan. A. N. RAGHAVACHAR,
24-2-40.

To be issued from Dewan's Office and sent back.

A. N. RAGHAVACHAR,
24-2-40.

MIRZA M. ISMAIL,
24-2-40.

D.O. No. 692, dated 24th February 1940 from the Dewan of Mysore to Mr. Kenneth B. Taylor accepting his suggestions.

For perusal.

A. N. RAGHAVACHAR,
28-2-40.

Second Member. K. V. ANANTHARAMAN,
29-2-40.

Draft of the Act approved by the First Member. The nomenclature has been altered to "Duty on Gold Act" omitting "Excise."

A. N. RAGHAVACHAR,
24-2-40.

N. MADHAVA RAO.
Dewan.

A. N. RAGHAVACHAR,
24-2-40.

MIRZA M. ISMAIL,
24-2-40.

D.O. Letter, dated 27th February 1940 from Mr. Kenneth B. Taylor to the Dewan of Mysore, thanking for the letter, dated 24th February 1940 and bidding farewell on the eve of departure for England.

D.O. Letter, dated 1st March 1940 from Sri V. S. Sundaram, Accountant-General, Madras, about the name to be given to the levy.

Sir Charles Todhunter's D.O., dated 2nd March 1940.

Letter, dated 2nd March 1940 from the Secretary, Messrs. John Taylor & Sons' Committee Office.

Reference was made to the special taxation by the South African and Australian Governments, merely to justify our taking some special action, to get at least a portion of the extra revenue realised by the Gold Mining Companies on account of the increase in the price of Gold, for which the Mining Companies are not responsible. The conditions of working of the Mines in South Africa seem to differ from the working of our Gold Mines, as is but to be expected from the geographical and geophysical and other territorial conditions in the different parts of the World and the nature of the special taxation has to depend also on the taxation policy prevalent in each Government. The taxation was proposed to be in the form of a special duty (Excise) on Gold, as it was intended to give relief for Income-tax purposes (both here and in the United Kingdom). It is proposed to take only 75 per cent of the excess profits, and in the Dewan's letter, dated 24th February 1940, the following suggestions of Mr. Kenneth Taylor were agreed to:—

(1) The 5 per cent Royalty payable on the nett sale proceeds of the Gold will be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the additional royalty, the value of the Gold sales shall be taken after the deduction of the duty.

From the statement it will be seen that we will really be getting only about 47 per cent of the extra profit over the level of 150 shillings (Rs. 100) per ounce of Gold. The proposed legislation seems to be therefore the most suitable one, (*vide* letter of Mr. Sundaram, Accountant-General, Madras).

If we defer a decision, as suggested by the Mining Representative, there is the risk of the Companies removing more profitable ores now and leaving less profitable ones in future. We may, I think, give effect to the proposed legislation.

Draft letter to Messrs. John Taylor & Sons, and draft reply to the Secretary of the Committee, Oorgaum are put up for approval.

Draft reply to Sir Charles Todhunter is also put up for consideration.

A. N. RAGHAVACHAR,
5-3-40.

Dewan.

Approved. May be issued after showing the file to the Dewan who is arriving on the 10th instant.

K. V. ANANTHARAMAN,
7-3-40.

A. N. RAGHAVACHAR,
9-3-40.

Dewan.

The letter addressed to Dewan by Mr. Kenneth Taylor and shown to the Second Member by me is also placed in the file.

A. N. RAGHAVACHAR,
8-3-40.

It is not desirable to defer the promulgation of the Act. I have suggested a few verbal changes in the drafts.

Dewan.

N. MADHAVA RAO,
12-3-40.

I agree.

MIRZA M. ISMAIL,
13-3-40.

Issue and take action at once.

A. N. RAGHAVACHAR,
15-3-40.

A draft G.O. directing publication of the Act as Act XVII of 1940 is put up.

As the Act is directed to be promulgated without delay, the Press will be asked to issue it as a Gazette Extraordinary to-day alone.

The two Acts, *viz.*, the Foreigner's Act and the Gold Excise Duty Act will if approved be issued as a Gazette Extraordinary to-day.

Law Secretary.

M. K. VARADARAJAN,
16-3-40.

H. V. NARAYANA RAO,
16-3-1940.

First Member.

N. MADHAVA RAO,
16-3-1940

Issue.

H. V. NARAYANA RAO,
6-3-1940.

Issued G.O. ... 53-39-1, dated 16th March 1940, directing publication of the Act as Act XVII of 1940.

The Act has been published in the Gazette Extraordinary of the 16th March 1940.

ter No. Fl. 5805, dated 16th March 1940 from the Financial Secretary to the Secretary, Messrs. John Taylor & Sons Committee, Oorgaum regretting Government's inability to defer decision and enclosing two copies of the Act just promulgated.

Letter No. Fl. 5892, dated 18th March 1940 from the Financial Secretary to the Private Secretary to His Highness the Maharaja explaining the implications of the levy.

O. Letter dated 15th March 1940 from Messrs. John Taylor & Sons, London, to the Dewan of Mysore communicating the protest of the Directors of the Company against the proposed levy of duty and suggesting in the alternative a levy on profits rather than on gold values.

Financial Secretary.

A reply may be drafted to this letter.

MIRZA M. ISMAIL,
25-3-40.

Submitted with a draft.

1st Member and Dewan.

A. N. RAGHAVACHAR,
26-3-40.

Re-submitted with a revised draft in the light of discussion.

1st Member and Dewan.

A. N. RAGHAVACHAR,
27-3-40.

N. MADHAVA RAO,
28-3-40.

MIRZA M. ISMAIL,
30-3-40.

Issue.

A. N. RAGHAVACHAR,
1-4-40.

Letter No. Fl. 6104 *dated* 1*st April* 1940 *from the Financial Secretary to Messrs. John Taylor & Sons, London, stating that Government have given their best consideration to the question before ordering the levy and assuring the co-operation of Government in the promotion of the development of the mines.*

CORRESPONDENCE.

D. O. Letter No. 1103, *dated* 14*th December* 1939 *from the Chief Inspector of Mines to the Financial Secretary to Government.*

I am enclosing herewith for your information an extract from the South African Mining and Engineering Journal giving the text of the Bill passed by the Australian Commonwealth Government *re*: the Gold Levy.

£ 1—sterling is equal to 1·25 pounds—Australian.

Extract from the South African Mining and Engineering Journal, November 11, 1939—*Page* 308.

* * * *

Australian Gold Levy.

The actual text of the Bill passed by the Commonwealth Government providing for an excise duty on gold production is as follows :—

1. That on and after the 15th day of September, 1939, at 9 o'clock on the forenoon reckoned according to standard time in the territory of the Seat of Government, duty of excise is collected on all gold produced at any time in Australia or in any territory under the Commonwealth of Australia and delivered in Australia or any such territory to the Commonwealth Bank of Australia in these resolutions referred to as the bank or an agent of the bank after the time aforementioned.

2. That the amount of the duty of excise imposed in pursuance of these resolutions in respect of any gold so produced or delivered by any person be one-half of the amount by which the amount payable by the bank in respect of the gold so produced and delivered exceeds an amount calculated at the rate of £ 9 for each ounce of fine gold contained in the gold so produced.

The price of gold has been fixed by the Bank of England at £ 8-8s. British Currency. On this price the tax will be 15s. per fine oz. of gold sold and the price gold mining companies will receive will be £. A9 15s. per fine oz. Gold production in Australia is now 1,800,000 fine oz. so that the total amount to be paid will be £ A1,350,000.

* * * *

14-12-39.

"Copy"

K. DORASWAMIER,
Chief Inspector of Mines and Explosives in Mysore.

Letter dated 11th February 1940, from Mr. Kenneth B. Taylor, Marikuppam, to Sir Mirza Ismail, Dewan of Mysore, Bangalore.

The information that you gave to me yesterday that Government shortly intend to impose an excise duty upon gold has caused me grave concern as indeed it is bound to do in London when it becomes known to those responsible for the direction of the affairs of this great industry and to those financially interested in it.

In view of the gravity of the position that will be created, I write to ask that you will grant me a private interview at the earliest date possible. I hold myself available to come into Bangalore to meet you at the shortest notice.

Statement showing the dates on and the rates at which the monthly consignment of gold were sold by the K. G. F. Mining Companies in Bombay and the exchange rates at which the amounts were transferred to London. (Referred to in the notes).

Month	Consignment	Date of sale	Rate at which sold in Indian currency per ounce	Rate prevailing on the day in London as per Newspapers	Date of realization and transfer from Bombay to London	T. T. Rate Bombay to London	Rate per ounce in sterling
1	2	3	4	5	6	7	8
1939			Rs. a. p.	£ s. d.		S. d.	£ s. d.
January ...	585	9th February 1939	98 12 8	7 8 3⅜	18th February 1939	1·5 29/32	7 7 5
	586	23rd February 1939	98 9 4	7 8 4⅛	4th March 1939	1·5 15/16	7 7 4⅛
February ...	587	9th March 1939	98 6 8	7 8 3	18th do	Do	7 7 1⅛
	588	25th March 1939	98 10 0	7 8 5	4th April 1939	1·5 29/32	7 7 2
March ...	589	5th April 1939	98 13 4	7 8 6	15th do	Do	7 7 5⅛
	590	19th do 20th do	98 10 4	7 8 6⅛	29th do	Do	7 7 2⅛
April ...	591	4th May 1939	98 11 0	7 8 6	13th May 1939	Do	7 7 3
	592	19th May 1939	98 14 8	7 8 6	29th do	1·5 27/32	7 7 1
May ...	593	2nd June 1939	98 15 8	7 8 5	12th June 1939	1·5 7/8	7 7 5⅛
	594	24th June 1939	98 14 0	7 8 6	4th July 1939	Do	7 7 3⅛
June ...	595	6th, 12th July 1939	98 15 0	7 8 6	15th, 22nd do	Do	7 7 4⅛
	596	19th, 22nd do	98 14 6·9	7 8 6	29th do ...	1·5 7/8	7 7 4·8
					1st August 1939	1·5 29/32	
July ...	597	1st, 9th August 1939	98 14 8	7 8 6⅛	11th, 19th do	1·5 29/32	7 7 7⅛
	598	19th do	98 14 4	7 8 7	28th do	1·5 29/32	7 7 6⅛
August ...	599	8th September 1939	107 4 0	8 8 0	18th September 1939	Do	8 0 ⅛
	600	27th, 29th do	110 0 0 109 9 4	8 8 0	7th, 9th October 1939	1·5 31/32	8 4 8⅛ 8 4 1
September ...	601	7th October 1939	109 10 8	London market closed	17th do	1·5 31/32	8 4 2⅛
	602	21st do	110 0 8	8 8 0	31st do	Do	8 4 9⅛
Present Market Price	...	15th December 1939	112 10 0 (About)	8 8 10			

D. O. Letter No. 1712, *dated* 15*th February* 1940 *from the Chief Inspector of Mines to the Financial Secretary.*

I am enclosing herewith extracts from the Mining Magazine for January 1940 re latest developments in the Government's policy of appropriating the proceeds of the gold premium above 150sh. per oz.

Extracts from the Mining Magazine for January 1940—*Pages* 2 *and* 28.

It was recently announced that as from December 12 last the rate of duty on gold exported from Gold Coast Colony has been increased. This duty is now 15 per cent on the increase in the price of the metal from 85s. to 150s. and 50% on the price above 150s. per fine oz.

* * * *

State Aid for Mines.—Union of South Africa.

Important qualifications in the Government's policy of appropriating the proceeds of the gold premium over and above 150s. per oz. fine will, it is understood, be incorporated in the enabling legislation to be submitted to Parliament during the next session. The Government will be prepared to deal with the question of higher costs when actual increases are brought to its notice by the industry. In order to carry out this undertaking next year's legislation is expected to make provision for two forms of relief to the mining industry. One envisages a general rise in the production costs, which is, of course, inevitable. In such circumstances the Government will be able to make a general increase in the maximum price now fixed for gold. The second proposal is designed to obviate hardship on individual mines working on a very low grade. A considerable number of Rand Mines to-day have reached a stage where any further increase in costs

would make it impossible for them to supply sufficient payable ore to allow their enlarged milling plants to operate to full capacity. The Government is naturally anxious to avoid that contingency. At the same time it is considering proposals to avert the closing of developing mines which cannot under existing circumstances secure sufficient capital to carry on

* * * *

K. DORASWAMIER,
Chief Inspector of Mines and Explosives in Mysore.
15-2-1940.

STATEMENT A. (Referred to in the notes).

Excise Duty on Gold

Present—

Basic rate	150 sh. per Oz.
Present price of gold	168 sh. Do
Difference	18 sh.
Basic Royalty 5 per cent	9000 sh
Income-tax at 3 annas in the rupee 0-2-0 } ,, 0-1-0 }	3·3750 sh
Total	4·2750 sh

Proposed—

Basic Royalty 5 per cent.	90,000 sh.
Excise Duty 75 per cent..	13·50,000 sh.
Income-tax at 3 annas in the Rupee on 41 sh.	84 375 sh.
Total	15·24,375
Difference	15·24,375 4·27,500
	10·96,875 sh.

For 18 sh. percentage is 60 per cent.

STATEMENT B. (Referred to in the notes).

Sl. No.	.....	Mysore Mine	Champion Reef	Ooregum Mine	Nandydroog Mine	Total
1	Fine gold produced in 1938—ounces ...	99,778	70,508	51,801	99,751	3,21,333
2	Rate realised per oz. in 1938—sh. ...	142	142	142	142	142
		£	£	£	£	
3	Extra amount realisable at 150 sh. ...	39,909	28,203	20,520	39,900	1,28,532
4	*Less* basic royalty on the excess 5% ...	1,995	1,410	1,026	1,995	6,426
5	*Less* income-tax at 3/16th of the excess ...	7,483	5,288	3,847	7,481	24,099
6	Net extra amount (3-4-5)	30,431	21,505	15,647	30,424	98,007
						£
7	Extra power charges payable counting on an increase of Rs. 4 lakhs over the present level of revenue against 5·7 lakhs estimated by the C.E.E.	7,500	7,500	5,625	9,375	30,000
8	Extra supplementary royalty on adjusted profits for the period of the new lease.	7,959	7,966	500	12,059	28,484
9	Total of 7 and 8	15,459	15 466	6,125	21,434	58,484
10	Surplus (6—9)	14,972	6,039	9,522	8,990	39,523
11	Extra amount realisable at 168 sh. (in excess of 150 sh.)	89,795	63,457	46,171	89,775	2,89,198
12	*Less* basic royalty on the excess (5%) ...	4 489	3,172	2,308	4,488	14,457
13	*Less* excise duty proposed (¾ of 18 sh.) ...	67,347	47,592	34,628	67,331	2,16,898
14	*Less* income-tax on *one-fourth* of item 11 at 3/16th ...	4,209	2,974	2,164	4,208	13,555
15	Total of 12 to 14	76,045	53,738	39,100	76,027	2,44,910
16	Difference between 11 and 15	13,750	9,719	7,061	13,748	44,288
17	Total surplus available for the Company (10 *plus* 16) ...	28,722	15,758	15,693	22,738	83,811
18	Loss under Basic Royalty 5 per cent of item 13 ...	3,367	2,380	1,731	3,366	10,844
19	Loss under adjusted profits taking the percentage of our share on the basis of the Dividends declared for the year 1938.	6,734 (10%)	7,140 (15%)	1,731 (5%)	13,464 (20%)	29,069 ...
20	Net Excise Duty (13-18-19)	57,246	38,072	31,166	50,501	1,76,985
21	Extra income-tax which would have been realised but for the levy of Excise Duty 3/16th of item 13.	12,627	8,922	6,492	12,624	40,665
22	Net extra amount payable to the Mysore Government	44,619	29,150	24,674	37,877	1,36,320
23	Percentage of item 22 to item 11 about ...	(50%)	(46%)	(53%)	(42%)	(47%)

D.O. letter dated 22nd February 1940, from Mr. Kenneth Taylor, Marikuppam, to the Dewan of Mysore.

I have now heard from London, written immediately after they had my cabled advice of your intention to impose an excise on gold. Frankly, they are dismayed at the imposition and the severity of it. Be that as it may, they have asked me to confirm with you that :—

1. The 5 per cent Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the excise.
2. In calculating the " adjusted profit " for the purpose of arriving at the " additional Royalty ", the value of the gold sales shall be taken after the deduction of the excise.

I shall be grateful to have a reply as early as possible.

ACT No. ..... OF 1940.

THE MYSORE DUTY ON GOLD ACT, 1940.—(*Draft*).

An Act to provide for the imposition and the payment of duty on gold.

WHEREAS it is expedient to impose a duty on gold and to provide for the payment thereof ; It is hereby enacted as follows :—

1. (1) This Act may be called the Mysore Duty on Gold Act, 1940.
(2) It extends to the whole of Mysore.

2. In this Act, unless there is anything repugnant in the subject or context,—

(*a*) " gold works " means any place where gold is extracted from ore ;
(*b*) " owner of a gold works " includes his agent and persons in charge of the gold works ;
(*c*) " prescribed " means prescribed by rules made under the Act.

3. (1) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940, a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(2) The duty on every ounce of gold shall be three-fourths of the amount by which its sale price exceeds one hundred rupees.

Explanation.—For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

(3) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

4. (1) If any duty remains unpaid at the end of the period specified in sub-section (3) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof, recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(2) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (2) shall be recoverable as an arrear of land revenue.

5. (1) No person shall issue any gold out of the premises or any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special orders of the Government.

(2) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued in contravention of such rule or order whichever is greater.

6. (1) The Government may make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1), the rules may provide for all or any of the following matters, namely,—

(*a*) imposing on an owner of gold works the duty of furnishing returns and keeping records and books, prescribing the form of such returns, records and books

and the particulars to be contained therein and the manner in which the same are to be verified and all such other conditions thereof as may be necessary ;

(*b*) providing for the regulation of the issue of gold out of the premises of gold works ;

(*c*) providing for the manner in which, the place at which and the authority to which the duty shall be payable and for the recovery of arrears ; and

(*d*) providing for the inspection of gold works.

(3) Such rules may provide that any breach thereof shall be punishable with fine which may extend to five hundred rupees :

Provided that the breach of any rule under clause (*b*) of sub-section (2) shall be punishable with the penalty prescribed in sub-section (2) of section 5.

Approved by First Member. N. MADHAVA RAO.

D.O. letter No. C.H. 692, dated 24th February 1940, from the Dewan of Mysore, to Mr. Kenneth Taylor, Marikuppam.

I am in receipt of your letter, dated 22nd February 1940, and write to state that Government are agreeable to the following suggestions contained in your letter, in connection with the imposition of the Duty on Gold under contemplation :—

(1) The 5 per cent Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the duty.

(2) In calculating the " adjusted profit " for the purpose of arriving at the " additional Royalty ", the value of the gold sales shall be taken after the deduction of the duty.

Letter dated 27th February 1940, from Mr. Kenneth B. Taylor of John Taylor & Sons, Marikuppam, to Sir Mirza Ismail, Dewan of Mysore.

Very many thanks for your letter of February 24th telling me that Government are agreeable to the two points mentioned in my letter of February 22nd. Tomorrow morning I leave here on my way back to England and so I bid you farewell. With my very kindest regards.

D. O. letter dated 1st March 1940, from the Accountant-General, Madras, to the Financial Secretary.

Sir Mirza Ismail asked me the other day what name to give to your proposed duty on gold whether to call it an excise duty or an excess profit duty and told me that you would be writing to me on the subject. Not having heard from you, I thought that I might as well write to you about it.

In my opinion, it would not be appropriate to call the duty an excess profits duty because, as I understood from Sir Mirza Ismail and yourself, the duty is not dependent on the profits made. It is essentially of the nature of an excise duty and I think it would be as well to call it as such. If therefore you are already charging an excise duty on gold, you might perhaps call the proposed duty a special excise duty or additional excise duty or something of the sort. It is not necessary that an excise duty should be at a fixed rate per unit of quantity ; sliding scales of excise duties are by no means unknown and there would therefore be nothing inherently inappropriate in an excise duty which is levied on the basis of the excess of current price over the price relating to some past date. You may inform Sir Mirza Ismail about this.

D. O. letter No. C. 1143, dated 2nd March 1940. from the Private Secretary to His Highness the Maharaja to the Second Member of Council.

In returning herewith your file No. 573, dated the 24th February last, on the subject of the duty on gold, I think it may perhaps not be out of place to invite your attention to the fact that the South African Government, on whose precedent the legislation is based, would seem from the newspaper extract which I enclose to have changed their policy. I am afraid I am not altogether clear as to the nature of the tax which they have imposed in lieu of the duty.

The Mail, Thursday, February 29, 1940, Deficit Budget for S. Africa, Excess Profits Duty Announced, Special Contribution by Diamond Industry, Capetown February 28.

New taxation measures for South Africa were announced by the Finance Minister, Dr. J. H. Hofmeyr, while presenting the War Budget to-day.

Although the position of income-tax and super-tax will not be altered, the 30 *per cent* rebate for individuals and companies will be withdrawn.

The estimated revenue in 1940-41, on the existing basis of taxation, was £44,868,000, excluding amounts accruing to the State in respect of the price of gold in excess of 150 shillings *per* ounce. The estimated expenditure is £45,595,000.

Dealing with the proposed taxation, Dr. Hofmeyr announced the creation of a War Expenses Account; and he estimated that £14 million would be required, of which £2¼ million was, at present, available.

Referring to taxation of gold mines, he announced the abandonment of the provision limiting gold mining companies' proceeds to 150 shillings *per* ounce. As a recompense, he proposed to impose on the gold mine industry a special contribution of £3½ million. The general object was particularly to benefit low grade mines and mines outside Wit-watersrand area and extend the life of the industry.

An Excess Profits Duty of 10sh. in the £ would be imposed, but it would not apply to gold or diamond mining industries.

Dr. Hofmeyr proposed a further 2 sh. in the £ as a special contribution by the Diamond Industry.—*Reuter.*

D. O. letter dated 2nd March 1940, from the Secretary, Messrs. John Taylor & Sons' Committee, Oorgaum, to the First Member of Council.

Under cabled instructions from Messrs. John Taylor & Sons, London, I beg to bring to your notice the provisions of the South Africa Budget proposals as reported in the "Hindu" of 29th February in special reference to the taxation of Gold Mines which in the opinion of the Managers present a strong case for the reconsideration by Government of the contemplated imposition of a Duty on Gold, preliminary notice of which was given to Mr. Kenneth B. Taylor shortly before leaving on his return to England.

I am requested respectfully to urge that Government may be pleased to defer a decision in this important matter pending the submission of the Managers' further views based on the proposals referred to which no doubt they will be communicating to you without delay.

This letter is being addressed to you, Sir, in the absence of the Dewan from Bangalore and in view of the urgency of the matter in question, and it will be highly esteemed if Government will give their early and favourable consideration to the request of the London Managers.

Letter No. Fl. 5805—Encls. 2, dated 16th March 1940, from the Secretary to Government, Financial Department, to the Secretary, Messrs. John Taylor & Sons' Committee, Oorgaum.

Duty on Gold.

With reference to your letter dated 2nd March 1940, addresed to the First Member of Council, I am directed to state that Government have given the question their best consideration but very much regret they are unable to defer a decision.

I am enclosing for reference two copies of the Act which has just been promulgated.

NOTIFICATION.

Order No. P. 6267—Legis. 53-39-1, dated Bangalore, the 16th March 1940.

Ordered that the accompanying Act to provide for the imposition and the payment of duty on gold which received the assent of His Highness the Maharaja, on the 29th day of February 1940, be published as Act No. XVII of 1940 in the *Mysore Gazette* for general information.

H. V. NARAYANA RAO,
Secretary to Government,
Law Department.

ACT No. XVII OF 1940.

THE MYSORE DUTY ON GOLD (EMERGENCY) ACT, 1940.

(An Act to provide for the imposition and the payment of duty on gold.)

(Received the assent of His Highness the Maharaja on the 29th day of February 1940.

Whereas an emergency has arisen which makes it expedient to impose a duty on gold and to provide for the payment thereof;

Now therefore, in exercise of the powers conferred by section 12 of the Mysore Legislative Council Act, 1923, it is hereby enacted as follows:

1. *Short title and extent.*—(1) This Act may be called the Mysore Duty on Gold (Emergency) Act, 1940.

(2) It extends to the whole of Mysore.

2. *Definitions.*—In this Act, unless there is anything repugnant in the subject or context—

(*a*) "gold works" means any place where gold is extracted from ore;
(*b*) "owner of a gold works" includes his agents and persons in charge of the gold works; and
(*c*) "prescribed" means prescribed by rules made under this Act.

3. *Imposition and payment of duty on gold.*—(1) There shall be paid by the owner of every gold works on all gold which is produced therein and which is issued out of the premises of such works on and after the 22nd day of March 1940, a duty at the rate mentioned in sub-section (2) and at the prescribed place.

(2) The duty on every ounce of gold shall be three-fourths of the amount by which its sale price exceeds one hundred rupees.

Explanation.—For the purposes of this sub-section sale price shall mean the amount realised by sale less prescribed charges, if any.

(3) The duty shall be payable in the prescribed manner before the end of the month immediately succeeding that in which the gold is sold.

4. *Recovery of an arrear of duty.*—(1) If any duty remains unpaid at the end of the period specified in sub-section (3) of section 3, it shall be deemed to be an arrear and the authority to which such duty is payable may, in lieu thereof,

recover any sum not exceeding double the amount of the duty unpaid which such authority may in its discretion think it reasonable to require.

(2) Any arrear of duty or any sum recoverable in lieu thereof under sub-section (1) shall be recoverable as an arrear of land revenue.

5. *Issue of gold from gold works.*—(1) No person shall issue any gold out of the premises of any gold works except in the prescribed manner and until rules in this behalf are made, except in accordance with the general or special order of the Government.

(2) Whoever contravenes any such rule or order shall be punishable with fine which may extend to one thousand rupees or to a sum double the amount of the duty payable on any gold issued in contravention of such rule or order, whichever is greater.

6. *Power to make rules.*—(1) The Government may make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1) the rules may provide for all or any of the following matters, namely:—

(*a*) imposing on owners of gold works the duty of furnishing returns and keeping records and books, prescribing the form of such returns, records and books and the particulars to be contained therein and the manner in which the same are to be verified and all such other conditions thereof as may be necessary;

(*b*) providing for the regulation of the issue of gold out of the premises of gold works;

(*c*) providing for the manner in which, the place at which and the authority to which the duty shall be payable and for the recovery of arrears; and

(*d*) providing for the inspection of gold works.

(3) Such rules may provide that any breach thereof shall be punishable with fine which may extend to five hundred rupees.

Provided that the breach of any rule under clause (*b*) of sub-section (2) shall be punishable with the penalty prescribed in sub-section (2) of section 5.

MIRZA M. ISMAIL,
Dewan.

D. O. Letter No. Fl. 5892, dated 18th March 1940, from the Financial Secretary to the Private Secretary to His Highness the Maharaja of Mysore.

I am desired to acknowledge receipt of your D.O. No. C. 1143, dated 2nd March 1940, addressed to (Mr. K. V. Anantaraman) the Second Member of Council. The mining conditions in South Africa seem to differ from those in Mysore (*vide* extracts from the Mining Magazine for January 1940) and a reference was made to the measure adopted in South Africa and elsewhere only to indicate that it had been felt necessary and justifiable by Governments in gold producing countries to take to themselves the adventitious receipts arising out of the excessive price of this commodity. It was not our intention to copy in every detail the measures adopted by Governments elsewhere. The present decision (both *re*: the form of taxation and the amount) has been arrived at after due consideration. The following suggestions by Mr. Keneth Taylor have also been agreed to:—

(1) The 5 per cent Royalty payable on the nett sale proceeds of the gold will be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional royalty", the value of the gold sales shall be taken after the deduction of the duty.

The form of taxation now proposed is intended to enable the Mining Companies to get relief from double income-tax (both here and in United Kingdom).

According to the present decision, we will get only about 47 per cent of the excess over the standard price of Rs. 100 per ounce and the proposed levy is not expected to affect the mining industry or its growth in any way.

Letter dated 15th March 1940, from Messrs. John Taylor & Sons, London to the Dewan of Mysore.

We desire to refer to the proposal of His Highness's Government to impose an Excise Duty on gold based on the excess price realised £ 7-10-0 per fine ounce.

The Directors of the Kolar Companies have taken the earliest opportunity to discuss this question with Mr. Kenneth Taylor on his return to England from his recent visit to Mysore.

Mr. Taylor having informed the Directors of the protest which he had verbally made to you, it was decided respectfully to convey to you the Boards' emphatic endorsement of Mr. Taylor's protest. In the opinion of the Directors the situation is already amply met by the operation of the ascending scale of profit participation reserved to His Highness's Government under the new Leases.

Nevertheless, and if His Highness's Government insist on their view that the enhanced price of gold justifies a further impost on the Companies, the Directors desire to record their strong protest against the method of special taxation which it is proposed to adopt. A more equitable principle and which would be in the better interests of the industry and thereby of the State, would be to make the levy on profits rather than on gold values, a view which has now been recognised by the Government of South Africa in their latest budget proposals.

This action by the South African Government was only notified after Mr. Kenneth Taylor had left Mysore for England and consequently we thought it well, pending his arrival, to instruct the Mines' Committee at Kolar to bring it to your notice, which we understand they have duly done.

Letter No. 6104, dated 1st April 1940, from The Financial Secretary to the Government of His Highness the Maharaja of Mysore, to Messrs. John Taylor & Sons, 6, Queen Street Place, London.

With reference to your letter dated 15th March 1940, regarding the imposition of a Duty on Gold, addressed to the Dewan, I am directed to state that when the matter was first discussed with Mr. Kenneth B. Taylor, Government were considering a proposal to levy a tax equal to the entire excess over the sale price of Rs. 100 per ounce of gold. But in the light of the discussion with and representation made by Mr. Kenneth Taylor to the Dewan, the duty was fixed at 75 per cent of the excess over Rs. 100 per ounce. Subsequently, Mr. Kenneth B. Taylor suggested in his letter dated 22nd February 1940 that,

(1) The 5 per cent Royalty payable on the nett sale proceeds of the gold be calculated after deduction of the duty.

(2) In calculating the "adjusted profit" for the purpose of arriving at the "additional Royalty", the value of the gold sales be taken after the deduction of the duty.

The above requests, which had the effect of reducing the amount payable to the Government still further, were also conceded by Government, *vide* Dewan's D.O. letter No. C.H. 692, dated 24th February 1940 to Mr. Kenneth B. Taylor.

I am to add that, as intimated to the Secretary, Messrs. John Taylor & Sons' Committee, Ooregaum, in this office letter No. Fl. 5805, dated 15—16th March 1940, Government have given the question their best consideration and they think that their present decision is quite fair, considering all aspects of the question.

I am, in this connection, to state that the Government are anxious, with the co-operation of the Companies, to promote the development of the mines and any steps calculated to achieve this object will always, I am to assure you, receive their earnest and sympathetic consideration.